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Industry compensation study—p

Energy product sales outlook—pp. 34-44

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National Home Center News®

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Knox execs lead leveraged buyout of retail chain

By Laura Liebeck
NHCN field editor

ST. PAUL — A group of investors, including about 20 Knox Lumber Co. executives, is purchasing the 10-unit home center chain from Southwest Forest Industries, Knox's corporate parent.

The transaction, expected to be completed later this month, calls for Knox management, and its partner, Norwest Growth Fund Inc., a subsidiary of Norwest Corp. of Minneapolis, a major Midwest bank, to pay $30 million in cash at the time of the closing plus assume certain liabilities and deferred payments of up to $500,000.

Southwest Forest Industries estimates it will gain $9 million on the sale of Knox, which it acquired in 1980 for $11 million. Knox Lumber gains back its in-

(Continued on page 66)

BE, Homeowners DIY deal at a glance

Hal Smith
BE president

	Builders Emporium	Homeowners DIY Centers
1984 sales	$204 mil.	$27 mil.
No. of stores	59	4
Avg. sales per store	$3.5 mi.	$6.8 mi.
Avg. sq. ft. per store	35,000	40,000

Source: *NHCN* Top 100, 1984

Builders Emporium buys Homeowners DIY

By Brad Altman
NHCN associate editor

IRVINE, Calif. — Builders Emporium will add four prime-location stores in supercompetitive southern California to its 59-unit roster with the purchase of Homeowners Do-It-Yourself Centers.

The definitive agreement was signed May 17.

The Homeowners units, in West Los Angeles, Montebello, Torrance and Gardena, are expected to be quickly converted to the BE name and format following an inventory that was slated to occur late last month. The purchase price was not disclosed by officials with BE's parent, Wickes Cos., nor Homeowners, but outside sources pegged the cash deal in the $10 million-$15 million range, in part because valuable real estate was included in the transaction. Homeowners owned its Gardena and Torrance sites and leased the other two locations, according to Louis Share, Homeowners' chairman.

The sale comes at a time when DIY retailers in southern California are preparing for an intense summertime battle.

Both The Home Depot and Builders Square are planning to establish warehouse outlets in the market soon, and Wickes' purchase of Homeowners appears to signal BE's intention to aggressively battle for market share.

BE posted sales of $204 million while Homeowners generated $27 million in 1984.

BE's president, Hal Smith, was president and ceo of Homeowners before he resigned last October to join BE. Smith, 34, has been a part owner of Homeowners since late 1983. He and his wife, Ella, are selling their equity interest, which Share, 64, said amounted to less than 20%.

Share, who has been associated with Homeowners since 1948, when it was a concrete maker, said Smith's relation-

(Continued on page 65)

Home center salaries rise; expertise brings premiums

Pay scales are higher at the larger operations

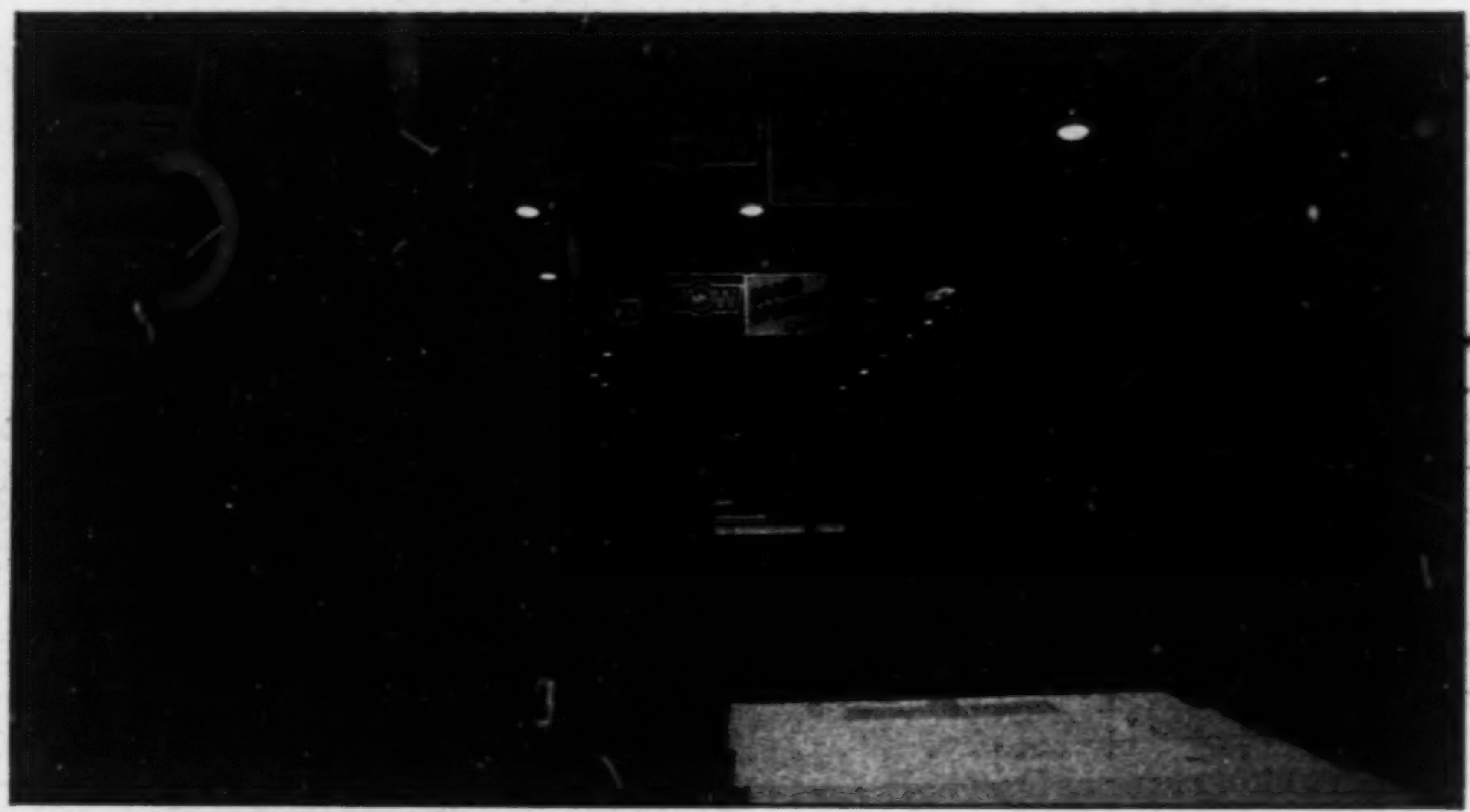
By Phillip M. Perry
NHCN senior editor

NATIONAL REPORT — As competitors invade new markets across the land, home centers are gearing their salary and benefits packages to attract and keep the best merchandising and management teams possible.

A review of combined reports from 160 building materials retailers in a new industrywide compensation and benefits study shows that:

- As compared with pay scales at lumberyards and hardware stores, home centers pay a premium for personnel with a combination of merchandising and management expertise.
- With a greater number of management levels in place, and a perceived scarcity of management talent available in the marketplace, large home center chains are paying more for their top people than are smaller operations.
- Pay scales for store clerks and cashiers are driven primarily by Federal minimum wage laws and are, therefore, fairly uniform among all sizes of and types of building materials retailers.
- Payroll costs as a per cent of revenues for home centers declined by about 0.8 percentage points for home center companies in 1984 vs. 1983, while staying about even for lumberyard and hardware store chains.
- While major medical coverage remains the most popular benefit, offered to management and nonmanagement employ-

(Continued on page 66)



Mr. HOW opened its largest unit last month: 96,000-sq.-ft. Schaumburg, Ill., store was one of five acquired from Forest City in February to gain immediate presence in Chicago.

NHCN photo taken a day prior to May 9 grand opening

5 WAREHOUSES CONVERTED IN CHICAGO

Mr. HOW re-opens ex-Forest City stores

SCHAUMBURG, Ill. — Service Merchandise opened its largest Mr. HOW Warehouse to date on May 9, a 96,000-sq.-ft. conversion of one of the five Forest City units it acquired in Chicago last February for $18.1 million.

Service reopened all five stores simultaneously, after five weeks of renovation and remerchandising, with a media splash. On the Saturday before, it began a radio promotion campaign aimed at 350 gross rating points. It ran full-page, three-color ads in *The Chicago Tribune* and *Chicago Sun-Times* the Sunday and Wednesday before the grand reopenings. Television commercials were broadcast the night before.

Mr. HOW takes over the Forest City units here at a time when Chicago is emerging as one of the hot markets of the

(Continued on page 61)

NEWSBREAKS

EVANS TO SELL SOME RETAIL ASSETS. Evans Products will close its six Bargain Outlet units in upstate Wisconsin, and is currently negotiating the sale of seven Grossman's stores in Milwaukee and four Steel City units in Pittsburgh. *NHCN* has also learned that the company plans to sell off two of its Alamo Enterprise stores in San Antonio.

HOME DEPOT ENTERS HOUSTON. The Home Depot opened two new stores in Houston on May 23; one each on the north and south side of the city. A third store will open this month in southern Houston.

Home Depot sues Builders Square landlord over California site —Page 2

Texas blue law fading into sunset —Page 2

Lampert Lumber completes 16-unit retrofit —Page 3

Canadian venture brings warehouse retailing north-of-the-border —Page 6

Evans reveals $12.3M 1st quarter loss

Reports to vendors soft financial results

By John Caulfield
NHCN senior editor

MIAMI BEACH — Trade creditors of Evans Products recently received what one vendor, without revealing its substance, said were "surprisingly detailed" financial data on Evans' Retail Group.

The data illustrated how Evans' inventory and credit problems prior to its March 11 Chapter 11 filing, as well as the bankruptcy proceedings themselves, are expected to plague the company's sales and earnings performance throughout 1985. The presentation of the information was made on April 29 by Evans Retail's chief financial officer Sydney Katz.

The 19-page booklet gave trade creditors a confidential preview of how Evans' 350 stores are performing. Results for the first quarter ended March 31, as subsequently released publicly, showed a loss of $12.3 million on sales of $175.2 million for the retail group compared with a loss of $4 million on sales of $175.1 million a year ago. The company as a whole lost $39.7 million on sales of $229.3 million.

The report said that Evan's financial picture was particularly soft in March, when the company was having tremendous difficulty gaining vendor credit

(Continued on page 65)

NHCNews Briefs

Industry Update

Depot sues Builders Sq. landlord

RIVERSIDE, Calif. — A building that Builders Square is converting into a 91,200-sq.-ft. warehouse here should have been leased to The Home Depot, the Atlanta-based retailer is contending in a lawsuit that seeks $20 million in punitive damages against the landlord.

The Home Depot did not name Builders Square in the suit, which is also seeking $50,000 in compensatory damages (out of pocket expenses) from defendants Joseph Vittone and Leland Hanson of Sierra Vista Investment Co., Riverside.

Larry Smith, counsel for The Home Depot, said the company "contends that it entered into a binding agreement to lease the premises and that (Sierra Vista) breached the agreement by refusing to let the premises to The Home Depot. No other party is presently in the lawsuit; however, legal discovery is continuing."

Sierra Vista's attorney Don Powell of Riverside said, "our contention is that Sierra Vista negotiated with a substantial number of potential tenants—Home Depot was one of many. There was never a deal with Home Depot, period."

Builders Square is expected to open the outlet, located at the southeast corner of La Sierra and Magnolia avenues, this summer (*NHCN*, March 25, 1985).

Smith said, "We want the real estate community to know that once a commitment has been made with The Home Depot, we will enforce that commitment."

Powell said he and his clients "suspect this case will be dismissed quickly."

Builders Square enters Detroit

DETROIT—Builders Square planned to open its second unit in this market on May 23 in Stirling Heights, following the quiet opening of its Mount Clemons unit, east of the city, in April.

The company plans to have at least three more stores in the market by the end of the year, according to senior vp Jud Walford.

In anticipation of these openings, Builders Square has become a sponsor of the Detroit Tigers and is currently running two 30-second spots on sports cable. This sponsorship may also include in-store player appearances, baseball ticket giveaways and a possible Builders Square night at the stadium.

In a separate development, former W. R. Grace executive Richard Passaglia has been named West Coast regional manager for Builder Square, which is slated to open its first California outlet this summer in Riverside (*NHCN*, March 25).

Passaglia most recently was senior vp-operations for Grace Home Centers West, a post eliminated in a management consolidation move (*NHCN*, May 20).

Retail sales climb in April

WASHINGTON — Retail sales jumped 12.8% in April, following a 25.2% rebound in March for dealers of building materials, hardware, garden supplies and mobile homes (SIC 52), according to advance sales figures released by the Department of Commerce.

Detailed breakouts, available only for March, show home center and building material sales (SIC 521,523) snapped back 26.1% in March, to $3.86 billion (unadjusted) from February's relatively low mark of $3.06 billion. March sales, however, were well below the previous year level of $4.38 billion, when industry sales were cresting (*NHCN*, May 6).

Hardware store sales (SIC 525), meanwhile, reached $745 million in March, up from February's $606 million in sales, and ahead of last February's mark of $705 million.

Total retail sales nationally rose 0.9% in April, after a revised 0.7% decline in March.

Handyman debuts TV ads

SAN DIEGO — Handyman is spending $1 million on an electronic advertising campaign breaking in this market June 12, a departure from its traditional reliance on print media for advertising expenditures.

An eight to 12-week radio and television run is scheduled for the 30-second TV and 60-second radio spots, produced by advertising agency Kenneth C. Smith & Associates of La Jolla, Calif.

Handyman is using San Diego as a test market and plans to expand the campaign into the San Francisco Bay Area later this year.

Meanwhile, the 55-unit chain's parent, Edison Brothers of St. Louis, was preparing to send a proxy to shareholders asking them to consider spinning off Handyman into a separate, publicly held company (*NHCN*, May 20, 1985).

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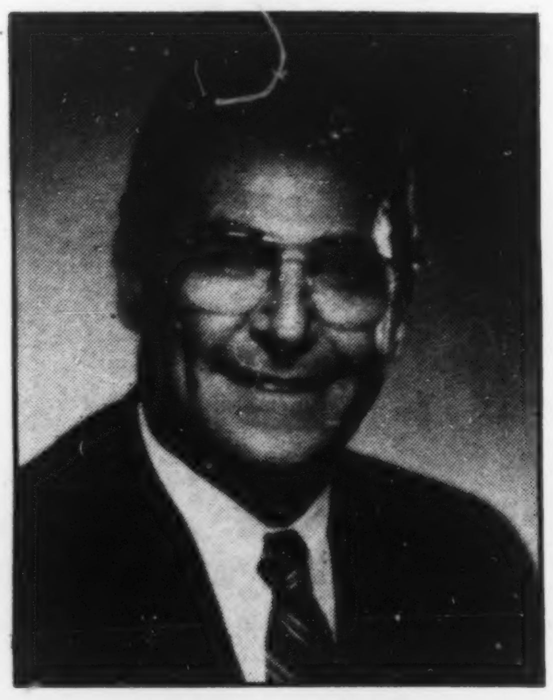
Vol. 11, No. 12 June 3, 1985

Lumbermen's names president; ex-Boise exec takes over reins



Edwin M. Savage

SEATTLE — Edwin M. Savage, marketing manager of Boise Cascade's building materials distribution operations, has been named president of 14-unit Lumbermen's based in Shelton, Wash.

The position had been vacant since last May when Larry Knudsen, a 25-year Lumbermen's employee who had been president since 1977, left the company due to what he characterized at the time as "differences in some philosophy" with Lumbermen's parent company, Lanoga Corp.

The 54-year-old Savage was also named an executive vp of Lanoga. The privately held Seattle company's other division heads—Jim Campbell at 11-unit Spenard in Anchorage and Daryl Nagle of 123-unit United Building Centers in Winona, Wis.—are presidents of their respective companies as well as Lanoga executive vps.

Savage left Boise Casade May 15 and was scheduled to start work at Lumbermen's June 3. He told *NHCN* "until I get my feet in the puddle" he would have no comment on his Lumbermen's plans.

As previously reported (*NHCN*, July 16, 1984), Lumbermen's is building a new headquarters complex in Olympia, Wash., in order to be situated in a more populous area along Interstate 5. Savage said the offices "should be completed by the tail-end of July" with relocation to follow shortly.

He said that he has "no intention" to enlarge or change the corporate staff.

During the year-long period following Knudsen's departure, Lanoga president and ceo Ted Tanase was acting president. Last December, a candidate had been chosen after a lengthy screening process but the applicant reportedly turned down the job at the last moment, forcing Lanoga to start the job search over again.

Savage brings a marketing and merchandising background to Lumbermen's, which had $60 million in sales last year, of

(Continued on page 66)

Texas blue laws ready to fade into sunset

AUSTIN, Tex. — The elimination of the 125-year-old Texas blue law is on the horizon. The State Legislature was poised to remove the law from the books before it adjourned on May 27.

Simultaneously, Handy Dan, a southwestern division of W. R. Grace Co., had been fighting a lengthy court battle of its own to eliminate the law. The Retail Merchants Assn. of Houston first brought suit against Handy Dan in November 1983 for blue laws violations in Houston.

In fact, Handy Dan attorney Linda Addison, partner with Houston's Fulbright & Jaworski, motioned for a rehearing of the entire case on May 9 after the First Judicial District Court of Appeals ruled on April 25 that the blue law is constitutional. The newest court decision overruled a lower court's ruling last fall that proclaimed the law was unconstitutionally vague, according to John Minor, a Texas assistant attorney general.

Minor explained that the courts are not obligated to rehear the case and so far no hearing date has been scheduled. "The law is constitutional but it is unpopular," he commented.

A spokesman for W. R. Grace said that while the case is being litigated the company would have not comment. Addison could not be reached for comment.

On May 1, the Texas House voted 102 to 40, and by a voice vote on May 2, to eliminate the state's blue law. After that, the bill, which was co-authored by State Reps. David Cain (D-Dallas), and Hugo Berlanga (D-Corpus Christi)—who also is speaker *pro tem*—was placed on the Senate's "intent calendar," according to the Legislative Reference Library, a legislative agency.

The pending legislation would permit retailers, except automobile dealerships, to sell their merchandise on a seven-day schedule beginning Sept. 1. Maintaining the law that forbids the sale of cars on Sunday was left intact as a compromise to the bill's opponents, explained Kathryn Blackbird, legislative assistant to Representative Cain.

The existing Texas blue law is not a Sunday closing law but rather a statute permitting the sale of 47 categories of merchandise on only a six-day week, Monday through Friday, and either Saturday or Sunday, but not both.

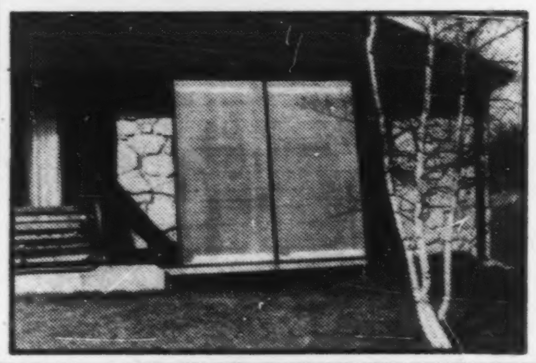
Mike Macaluso, vp of Ed Wulfe & Co. of Houston, a commercial real estate firm, said the end of the state's blue law will not mean more business to retailers but rather a stretching of consumers' disposable income over seven days, instead of six.

"The effect is diluted by the

(Continued on page 66)

Highlights in this issue

Merchandising



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- *Significant changes in communications systems have either been recently instituted, or are planned for the near future, but some 92% of companies participating in a recent survey.* **—Page 53**
- *Home center shrinkage increases by 12.2% in 1984.* **—Page 53**

Lampert Lumber completes retrofit of 16 units

By Phillip M. Perry
NHCN senior editor

ST. PAUL — Lampert Lumber, a $74 million home center chain, completed the renovation of 16 of its 47 stores last month as part of a larger effort to bolster its competitive position through a complete remerchandising effort.

There's A Lampert
Building Center Near You.
Lampert
BUILDING CENTER
BUILDING THE GREAT NORTHWEST FOR OVER 90 YEARS

The company plans to remodel all of its stores over the next year and a half. Now that the three-month-long renovation for the first round of units has been completed, the company, which plans to grow to a $100 million size over the next three years, will pause in its remodeling efforts as the summer selling season takes up more of its energies, then continue the retrofit program in the fall.

"The idea behind these moves is to offer more self-service, and to make use of the maximum cube," said George Poulos, corporate vp, who was brought aboard one year ago to take charge of the effort.

"All of this has come about because of the increased volume we have seen to the consumer." Where do-it-yourself sales once accounted for 50% of volume at the company, such sales have just about reached the 70% level the company would like to maintain.

The chainwide program, which involves measures such as modernizing showrooms and increasing the depth of stock on its shelves, presents somewhat of a dilemma for company officials. While the driving force behind the new effort is a need to increase bottom line profitability so that dividend payments to stockholders of the private company can be increased, engaging in the renovations means making a capital outlay that the company is not well equipped to provide.

Lampert is still burdened by heavy debt it accumulated during the 1970's when it engaged in an aggressive store modernization and construction campaign. While company officials did not divulge the extent of this debt, they noted that the recession of the early 1980's affected sales in the upper Midwest as much as it did elsewhere in the home center industry. As a result, the profit margins achieved were not what was hoped from the capital expenditures made. As a result, the company is still paying off a debt load.

On the other hand, like other private corporations the company feels keenly the pressure of its investors, according to chain president John Lampert.

Unlike the stockholders of large public corporations, these investors are not the potential beneficiaries of stock price increases. As a result, they look exclusively to dividends for a return on their investments. These dividends must come out of company profits before capital improvements can be made.

As a result of these competing pressures, Lampert's new remerchandising efforts have been carefully directed.

"We are maximizing our resources without heavy capital spending," said Lampert.

The capital invested on the improvements of each of the stores has been, so far, minimal by usual industry standards. Some $5,000 to $10,000 has been spent at some stores that need nothing more than new sets of H-frame racking and a repositioning effort for sales desks. Even for the larger scale retrofits that involve tearing down some dividing walls between the showrooms and storage rooms to increase display areas, the investment hasn't gone over $30,000 to $40,000.

Company officials feel that by careful planning the investment should pay off in the sense that the stores should present to shoppers a more modern look—given a perceived need on the part of the public for warehouse type merchandising—than they have in the past.

The following areas have been particularly addressed by the renovation program:

- Sales desks have been removed from the center of the store and combined with back offices, freeing an additional 300 sq. ft. for merchandising displays.
- New H-frame racking has been installed and doors, windows and other building materials have been brought inside from the warehouse area.
- Extenders have been added to the old gondolas, raising their height to 6 ft. and allowing additional storage of merchandise on top.
- The depth of product has been increased on the shelf, again by bringing stock in from the warehouse.
- While the stores generally had one cashier station in the past, they now have two or three.

Federal deficit could kill energy tax credit extension bills

NATIONAL REPORT — Energy tax credits may still be available to some homeowners after the Dec. 31 expiration of the current law.

Congress is currently reviewing two bills, one by Congressmen Tom Downey (D-N.Y.) and Cec Heftel (D-Hawaii), with a host of cosponsors including Georgia Democrat Wyche Fowler, and the other by Fowler, to extend energy tax credits, enacted in 1979, another three to five years.

Both bills are designed to continue stimulating the marketplace for alternative sources of energy while gradually phasing out the subsidies, caping the credit available and certifying solar systems for eligibility in the program.

Although both bills are currently pending in the House, the Renewable Energy And Conservation Transition Act of 1985, introduced by Congressmen Downey and Heftel on April 4, is the focus of attention because it is the most comprehensive.

Hope of passage is questionable in both cases since Federal deficit reduction is a priority of Congress and the President.

(Continued on page 35)

Elliott's Hardware sales up 39% after first year in new location

By Kenneth Schept
NHCN executive editor

"Customers shop this whole store when they come here," said Jack Punch, sales manager at Elliott's Hardware.

DALLAS — Elliott's Hardware celebrated the first anniversary of its new store on April 30, with sales up 39% to just over $11 million.

Fred Held, president, expects the 70,000-sq.-ft. unit, with 54,000 sq. ft. of retail space, will produce $13 million in sales in its record year.

He is optimistic that within five years, this store will generate $20 million in annual sales. It is located in the Love Field section of Dallas near Elliott's former unit, which generated about $8 million in annual sales from 16,500 sq. ft. of retail space in a 30,000-sq.-ft. structure.

Transactions per day at the new location are averaging 2,050 to 2,250 compared with 1,750 to 1,800 a year ago, according to Charles Bond, director of finance. Saturday transactions, he said, are now in the 2,500 to 2,600 range.

Similarly the average ticket has increased by more than a dollar from $17.50 a year ago. Bond said that an average ticket on a Saturday is running $22 to $23.

All of this improvement, moreover, has been accomplished virtually without advertising, which is limited to circulars twice a year.

Bond acknowledged, "Occasionally we get somebody who hates this place, who can't find anything," but customer reaction, as the numbers show, has been mostly positive.

Customer views were typified by I. B. Butler, a 30-year-old jewelry appraiser, who was among several shoppers interviewed on a weekday morning at Elliott's last month. He said

(Continued on page 66)

New Spenard complex heats up Fairbanks DIY activity

KITCHEN
BATH

Spenard's new $4.2 million retail/manufacturing facility in Fairbanks, Alaska, contains four buildings on a 10-acre site, next to a rail siding. The retail store has 34,000 sq. ft. with a contractor sales area and drive-thru lumberyard. The unit is modeled after the Spenard store in Eagle River, Alaska. NHCN photo

FAIRBANKS, Alaska — Spenard Builders Supply's debut of a $4.2 million retailing-manufacturing complex here last month underscores that DIY retailing activity is booming in this tiny, remote Alaskan city.

Only one mile from the new Spenard facility is a Pay 'N Pak, which since March has been able to claim the distinction of being the northernmost warehouse home center in the U.S. The Pay 'N Pak was expanded by 14,000 sq. ft. to 38,000 sq. ft. in a warehouse-style merchandising revamp similar to other format conversions occurring elsewhere in the Kent, Wash.-based chain.

Local competition is also making moves, including 10-year-old Donnybrook Lumber, which is debuting its three-lane drive-thru yard June 7th and 8th, and OK Lumber, which went on-line April 1 with its newly built, $1.5 million truss plant.

But the talk of the town is the new Spenard facility, which Jack Babcock, manager of Fairbanks Lumber, called "the nicest store in Alaska. I don't know how it will affect our business for sure, but it's not going to be an easy life up here."

As previously reported (*NHCN*, Feb. 11), the Spenard facility contains four buildings on a 10-acre site next to a rail siding. It also features a drive-thru lumberyard.

Jim Campbell, president of 11-unit Spenard, said the complex was built on land leased from the state of Alaska after the former Spenard Fairbanks complex was condemned in order to build a highway.

The now-closed Fairbanks unit generated $13 million-$14 million in annual sales, and Campbell projects a doubling of the volume within five years. Local independent Donnybrook, which operates a manufacturing truss plant, posted $17 million in sales last year and is the market leader.

Spenard operates a 35,000-sq.-ft. manufacturing facility which includes a truss plant as well as a millwork plant where kitchen cabinets and countertops are manufactured. Its 34,000-sq.-ft. retail store consists of a contractor sales area and is modeled after a Spenard store that opened last year in Eagle River, Alaska (*NHCN*, Aug. 13, 1984).

Doug Grover, Spenard's marketing and merchandising director, said the Fairbanks unit has a 20% boost in Spenard's usual 18,000 stock keeping unit mix. The increased selection is "geared toward items needed to complete a project," Grover said. One department significantly broadened was floor coverings, which has added lines of ceramic and vinyl tiles and expanded carpeting offerings.

Spenard expects consumer cash-and-carry sales to account for only 30% of the sales volume, and its strategy is to continue to enlarge its contractor base. The store is open seven days a week while the former Fairbanks store was closed on Sundays.

"We still want to have the image that we are a lumber dealer," explained Campbell, whose chain generated an estimated $148 million sales last year. Chainwide, lumber and commodities contribute 20%-22% of the company's sales. The drive-thru lumberyard, also in place at several other Spenard facilities, "is the key to our maintaining dominance in the lumber business," Grover said.

Company officials are optimistic that the Fairbanks economy, fueled by nearby military bases, will continue to thrive. Anchorage, 330 miles to the south, is "overbuilt," said Campbell. "If any place in the state has a good economy, it will be Fairbanks," he added.

FINANCIAL NEWS

43 Gainers

5 Unchanged

7 Losers

Home center stocks rallied from several weeks of lackluster results as 43 issues gained ground vs. only seven losers, for the two-week period ended May 17. Five stocks were unchanged.

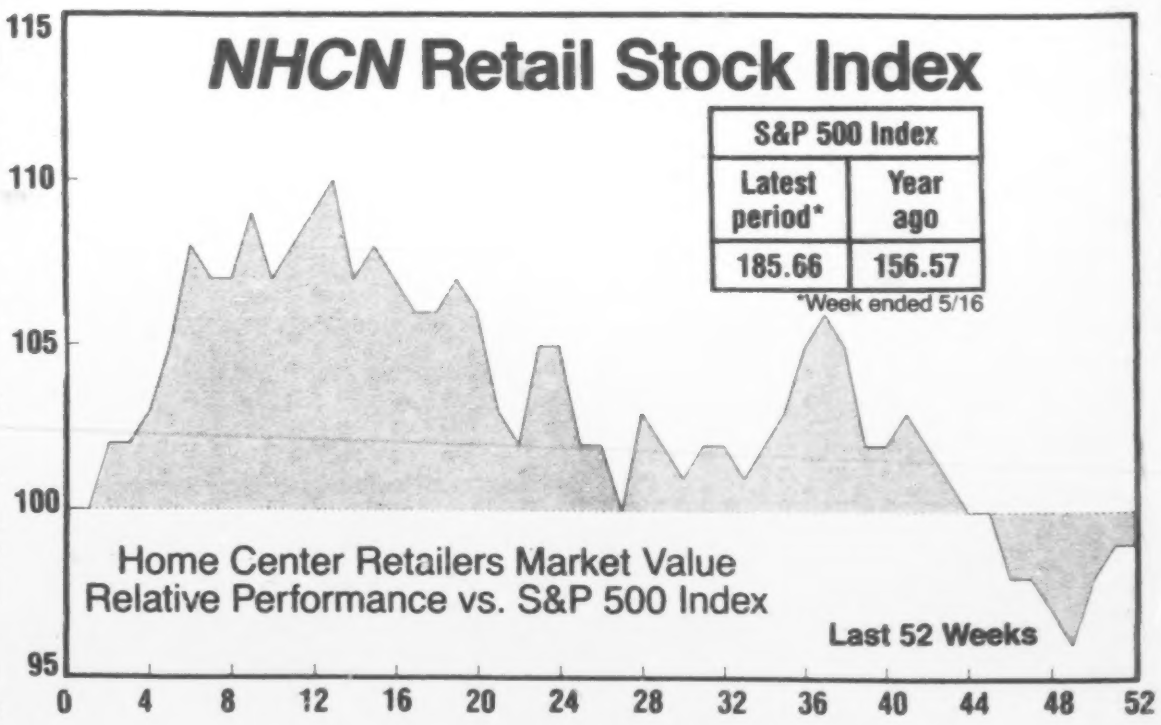
Payless Cashways' stock price has been on the upswing this past month. Payless ended the two-week period up 10.9% to $22.88 on nearly 10.5 million shares traded. During the previous two-week period, Payless stock was up 7.1%, closing at $20.63. Its 52-week high is $23.

Homecrafters Warehouse stemmed its declining stock price in this latest two-week period. Homecrafters closed on May 17 at $8.25, up 10%, on 406,000 shares traded. Other retailers that showed percentage price gains during the period included K mart (which owns Builders Square), Standard Brands, Supermarkets General (Rickel's parent), Wolohan Lumber, Color Tile, Lowe's, Hechinger, Home Depot, Evans, W. R. Grace, Scotty's and Pay 'N Pak.

On the losing side, National Lumber fell 4.8% to $5 on 652,000 shares traded. Edison Bros., in the process of seeking shareholder approval to divest itself of 55-unit Handyman, slipped slightly to $34.50, a 0.7% decline on 726,000 shares traded.

The *NHCN* Retail Stock Index closed at 99.0 relative to the Standard & Poor's 500 Index, which closed at 185.66, 18.6% higher than a year ago.

NHCN Retail Stock Index



Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
Pay N Pak N	10,474	393.9	4.9
Hines Ed Lumber O	256	383.3	.0
Wolohan Lumber M	2,336	343.3	8.3
Supermkts Gen N	8,523	286.3	10.0
Masco Corp N	15,175	277.5	15.0

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
DeSoto Inc N	786	236.7	2.2
Mich General A	2,715	214.5	- 8.0
La Pacific N	7,177	194.4	7.7
Georgia-Pacifc N	38,011	183.2	15.2
Walter, Jim N	7,594	174.8	10.7

TOP GAINERS

Company & Market	2-Weeks Ended 5-17-85	2-Week Price Change	Total 2-Week Volume
	$	%	(100)
Waxman Ind M	13.38	32.1	2,983
Georgia-Pacifc N	24.63	15.2	38,011
Masco Corp N	34.50	15.0	15,175
Payless Cash N	22.88	10.9	10,414
Walter, Jim N	35.00	10.7	7,594

TOP LOSERS

Company & Market	2-Weeks Ended 5-17-85	2-Week Price Change	Total 2-Week Volume
	$	%	(100)
MacMlln Bldel N	15.38	- 8.2	330
Mich General A	5.75	- 8.0	2,715
Manville Cp N	5.63	- 6.3	6,767
Natl Lumber M	5.00	- 4.8	652
Edison Bros N	34.50	- .7	726

National Home Center News® HOME CENTER INDUSTRY MARKET SUMMARY

Company and Market	Stock Market											Financial Update																	
	Price							Volume				P/E Ratio	Indicated Divd. Rate		Latest Report			Latest Quarter						Year-to-Date					
	2-Weeks Ended 5-17-85	2-Weeks Change		2-Week Range		52-Week Range		2-Weeks Shares Traded		12-Week Avg. Vol. As % Out	Volume Trend Change				New Report	Period	Date Ended	Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.	
		Amt.	Pct.	High	Low	High	Low	Total	% Out				Amt.	Yld.				Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Boise Cascade N	41.75	2.88	7.4	42.00	38.63	44.63	32.50	6,802	2.49	1.61	54.7	17.4	1.90	4.6	.....	3 mos.	03-85	957.5	1.0	33.3	19.4	1.12	17.9	957.5	1.0	33.3	19.4	1.12	17.9
Color Tile M	16.63	1.25	8.1	16.88	15.25	20.00	13.63	4,158	4.50	2.16	108.3	11.8	.00	.0	.....	9 mos.	03-85	90.7	14.7	3.1	- 20.5	.33	- 19.5	249.4	18.4	9.3	- 8.8	1.01	- 1.9
Edison Bros N	34.50	- .25	- .7	35.25	34.25	37.50	31.50	726	.72	.60	20.0	10.8	1.60	4.6	.....	fiscal	12-84	277.2	- 9.3	8.4	- 61.3	.82	- 59.0	1054.7	3.3	32.9	- 32.7	3.19	- 29.3
Erb Lumber O	22.00	.00	.0	23.50	22.00	22.50	18.00	10	.11	.19	- 42.1	6.7	.00	.0	NEW	3 mos.	03-85	27.1	2.3	(.4)	NE	(.40)	NE	27.1	2.3	(.4)	NE	(.40)	NE
Evans Prod N	2.13	.13	6.3	2.25	2.00	6.50	1.75	795	.58	1.33	- 56.4	NE	.00a	.0	.....	fiscal	12-84	376.4	- 1.3	3.2	NE	.15	NE	1406.4	4.0	(49.4)	NE	(3.89)	NE
Forest City Ent A	21.00	.00	.0	21.13	20.63	22.25	15.00	33	.08	.05	60.0	67.7	.15	.7	.....	9 mos.	10-84	85.8	284.8	2.7	NC	.34	NC	256.5	37.5	3.1	- 35.4	.39	- 35.0
Grace W R N	41.38	2.38	6.1	41.63	38.75	44.50	36.50	8,522	1.76	.99	77.8	10.9	2.80	6.8	.....	3 mos.	03-85	1580.0	5.5	35.5	- 22.7	.72	- 23.4	1580.0	5.5	35.5	- 22.7	.72	- 23.4
Hechinger A M	27.75	1.75	6.7	28.00	26.00	27.75	13.50	1,466	2.10	.93	125.8	NA	.16	.6	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	29.00	.50	1.8	29.25	28.00	29.25	15.25	745	.67	.44	52.3	25.2	.10	.3	.....	fiscal	01-85	102.4	29.6	6.1	19.6	.34	17.2	405.1	30.9	20.9	29.0	1.15	27.8
Hines Ed Lumber O	39.50	.00	.0	40.50	39.50	43.75	32.50	256	1.45	.30	383.3	27.6	1.00	2.5	NEW	fiscal	12-84	68.4	10.3	.2	- 33.3	.13	- 27.8	280.8	12.5	2.5	38.9	1.43	38.8
Homecrafters Whse M	8.25	.75	10.0	8.25	7.25	16.25	5.25	406	1.44	2.42	- 40.5	39.3	.00	.0	.....	fiscal	10-84	41.3	58.2	(2.3)	- 100.0	(.81)	- 100.0	121.2	54.6	(1.6)	- 100.0	(.55)	- 100.0
Home Depot N	19.13	1.13	6.3	19.25	17.50	27.88	12.00	8,894	3.55	1.47	141.5	34.2	.00	.0	.....	fiscal	01-85	117.4	42.3	3.6	9.1	.14	7.7	432.8	68.9	14.1	36.9	.56	36.6
K mart Cp N	37.63	3.63	10.7	38.00	33.63	41.50	27.13	51,691	4.14	1.70	143.5	9.8	1.40	3.7	.....	fiscal	01-85	6875.5	21.6	204.3	- 17.8	1.57	- 17.8	21095.9	13.4	499.1	1.4	3.84	1.1
Lowe's Cos N	28.88	2.13	7.9	29.00	26.38	30.00	16.25	6,438	1.78	.70	154.3	17.0	.36	1.2	.....	fiscal	01-85	375.9	13.6	10.5	10.5	.29	11.5	1688.8	18.0	61.4	21.3	1.70	21.4
Mich General A	5.75	- .50	- 8.0	6.75	5.63	8.50	4.75	2,715	2.39	.76	214.5	27.4	.00	.0	NEW	3 mos.	03-85	88.1	- 10.0	(2.6)	- 100.0	(.23)	- 100.0	88.1	- 10.0	(2.6)	- 100.0	(.23)	- 100.0
Natl Lumber M	5.00	- .25	- 4.8	5.50	5.00	7.50	4.50	652	1.16	.45	157.8	20.8	.00	.0	.....	fiscal	12-84	31.8	7.8	.3	200.0	.06	200.0	127.9	12.7	1.3	- 40.9	.24	- 48.9
Pay N Pak N	13.38	.63	4.9	13.63	12.63	17.50	11.50	10,474	10.47	2.12	393.9	13.2	.60	4.5	.....	fiscal	02-85	61.5	15.2	1.2	- 45.5	.12	- 50.0	305.2	22.3	10.1	1.0	1.01	- 9.0
Payless Cash N	22.88	2.25	10.9	23.00	20.13	23.00	13.50	10,414	3.03	1.38	119.6	20.6	.16	.7	.....	3 mos.	02-85	254.9	29.1	1.6	- 38.5	.05	- 44.4	254.9	29.1	1.6	- 38.5	.05	- 44.4
Scott Seabd O	1.50	.00	.0	2.00	1.50	2.75	1.00	23	.13	.07	85.7	15.0	.00	.0	.....	fiscal	01-85	7.9	3.9	.0	NE	(.02)	NE	37.4	6.6	.2	- 71.4	.10	- 73.7
Scotty's Inc N	14.38	.75	5.5	14.38	13.25	16.38	11.38	732	.55	.41	34.1	10.8	.52	3.6	.....	9 mos.	03-85	121.7	6.0	5.0	- 12.3	.38	- 13.6	333.0	7.2	12.0	- 1.6	.90	- 6.3
Sears, Roebuck N	36.00	1.75	5.1	36.38	33.75	37.63	29.75	66,530	1.84	.69	166.7	9.0	1.76	4.9	.....	3 mos.	03-85	8902.9	5.4	223.3	4.4	.60	.0	8902.9	5.4	223.3	4.4	.60	.0
SW Forest Ind N	13.13	.88	7.1	13.25	11.75	20.13	11.75	2,777	2.99	1.39	115.1	43.8	.00	.0	.....	3 mos.	03-85	170.5	- 2.5	(1.6)	- 100.0	(.33)	- 100.0	170.5	- 2.5	(1.6)	- 100.0	(.33)	- 100.0
Std Brd Pnt N	21.88	2.00	10.1	21.88	19.63	21.88	16.50	4,496	4.03	1.51	166.9	11.7	.56	2.6	.....	fiscal	01-85	70.7	6.0	4.5	36.4	.40	33.3	314.9	6.1	20.8	11.8	1.87	11.3
Supermkts Gen N	42.75	3.88	10.0	42.75	38.75	42.75	19.75	8,523	4.79	1.24	286.3	14.5	.42	1.0	.....	fiscal	01-85	1336.1	46.0	22.1	62.5	1.25	62.3	4346.7	23.6	52.4	28.7	2.95	28.3
Wolohan Lumber M	6.50	.50	8.3	6.63	6.25	7.00	4.00	2,336	3.99	.90	343.3	14.8	.16	2.5	NEW	3 mos.	03-85	23.1	4.1	(.3)	NE	(.06)	NE	23.1	4.1	(.3)	NE	(.06)	NE
Wholesalers																													
Lewis Palmer M	8.25	.00	.0	8.50	8.13	9.75	7.09	696	1.86	1.02	82.4	26.6	.28b	3.4	.....	fiscal	01-85	30.7	25.3	(.3)	- 100.0	(.10)	- 100.0	144.4	19.3	1.1	- 38.9	.31	- 53.7
Manufacturers																													
Allegheny Int N	24.88	.50	2.1	25.00	24.00	28.75	18.75	1,900	1.80	1.16	55.2	NE	1.40	5.6	.....	fiscal	12-84	580.7	- 8.1	(17.6)	- 100.0	(2.53)	- 100.0	2115.3	- 9.9	14.9	- 47.3	(2.51)	NE
Am Standard N	29.25	1.75	6.4	29.63	26.75	35.38	22.88	9,401	2.41	1.14	111.4	9.9	1.60	5.5	NEW	3 mos.	03-85	789.0	25.1	20.3	2.0	.52	- 17.5	789.0	25.1	20.3	2.0	.52	- 17.5
Armstrng Wrld N	36.50	3.50	10.6	36.50	32.50	38.00	22.88	6,649	2.79	1.58	76.6	10.1	1.30	3.6	NEW	3 mos.	03-85	376.6	- 1.8	17.9	- 23.8	.75	- 20.2	376.6	- 1.8	17.9	- 23.8	.75	- 20.2
Black & Decker N	21.00	1.25	6.3	21.38	19.75	26.88	17.25	14,501	2.88	1.61	78.9	11.9	.64	3.0	.....	6 mos.	03-85	403.1	26.4	14.8	- 35.9	.29	- 40.8	906.1	33.8	43.8	- 12.0	.86	- 18.1
Certain-teed N	25.13	1.50	6.3	25.50	23.50	27.13	15.75	1,515	.80	.48	66.7	11.8	.70	2.8	.....	3 mos.	03-85	252.9	- 9.3	8.2	- 9.9	.41	- 8.9	252.9	- 9.3	8.2	- 9.9	.41	- 8.9
Champ Intl N	23.38	.75	3.3	23.50	22.13	26.75	16.88	33,484	3.61	1.63	121.5	NE	.40	1.7	.....	3 mos.	03-85	1645.8	43.4	43.8	50.5	.43	- 6.5	1645.8	43.4	43.8	50.5	.43	- 6.5
Clopay Corp A	26.25	2.25	9.4	26.63	24.25	27.75	13.63	147	1.22	1.04	17.3	14.0	.16	.6	.....	3 mos.	03-85	29.2	5.4	(.5)	NE	(.36)	NE	29.2	5.4	(.5)	NE	(.36)	NE
DeSoto Inc N	34.50	.75	2.2	34.63	32.00	37.88	26.75	786	1.65	.49	236.7	11.2	1.40	4.1	.....	3 mos.	03-85	93.0	4.8	.8	- 77.8	.17	- 73.8	93.0	4.8	.8	- 77.8	.17	- 73.8
Emhart Corp N	28.00	1.00	3.7	28.63	26.25	32.25	24.53	3,158	1.15	.57	101.8	9.6	1.40b	5.0	.....	3 mos.	03-85	419.9	- 8.9	14.1	- 33.5	.51	- 40.0	419.9	- 8.9	14.1	- 33.5	.51	- 40.0
Georgia-Pacifc N	24.63	3.25	15.2	24.63	20.50	27.38	18.00	38,011	3.71	1.31	183.2	23.9	.80	3.2	.....	3 mos.	03-85	1580.0	6.2	49.0	- 3.9	.43	16.2	1580.0	6.2	49.0	- 3.9	.43	16.2
Insilco Corp N	19.00	1.50	8.6	19.00	17.38	20.72	13.31	1,653	.93	.60	55.0	10.6	1.00b	5.3	NEW	3 mos.	03-85	197.3	4.8	6.0	- 9.1	.33	- 8.3	197.3	4.8	6.0	- 9.1	.33	- 8.3
La Pacific N	20.88	1.50	7.7	20.88	18.88	24.75	16.50	7,177	2.09	.71	194.4	17.0	.80b	3.8	.....	fiscal	12-84	283.7	- 3.0	21.0	195.8	.64	204.8	1230.0	11.6	42.2	51.3	1.23	50.0
MacMlln Bldel N	15.38	- 1.38	- 8.2	16.75	15.00	21.81	15.00	330	.11	.05	120.0	NE	.00a	.0	.....	fiscal	12-84	578.5	11.0	24.0	77.8	.58	87.1	2127.6	4.1	19.3	589.3	(.20)	NE
Manville Cp N	5.63	- .38	- 6.3	6.25	5.13	10.63	5.13	6,767	2.82	1.37	105.8	2.6	.00	.0	NEW	fiscal	12-84	456.5	5.8	18.2	1416.7	.50	NE	1814.2	4.9	77.2	14.9	2.18	23.9
Masco Corp N	34.50	4.50	15.0	34.75	29.75	34.75	22.50	15,175	2.68	.71	277.5	17.3	.56	1.6	.....	fiscal	12-84	214.7	- 20.9	21.7	- 27.2	.33	- 35.3	1019.7	- 3.8	115.9	8.7	2.00	8.7
Natl Gypsum N	45.25	3.13	7.4	45.38	42.13	45.38	27.00	4,961	3.19	1.28	149.2	6.5	2.00	4.4	NEW	3 mos.	03-85	365.8	- 6.2	26.0	7.4	1.67	7.7	365.8	- 6.2	26.0	7.4	1.67	7.7
Newell Cos N	16.00	.13	.8	16.25	15.25	19.00	13.25	745	.87	.42	107.1	9.8	.50	3.1	NEW	3 mos.	03-85	79.5	4.3	3.2	10.3	.35	2.9	79.5	4.3	3.2	10.3	.35	2.9
Owens Corning N	34.50	3.25	10.4	34.63	30.75	37.00	25.13	4,039	1.37	.91	50.5	8.4	1.40	4.1	.....	3 mos.	03-85	678.0	- 2.4	28.0	35.3	.95	35.7	678.0	- 2.4	28.0	35.3	.95	35.7
Pope & Talbot N	20.25	.75	3.8	21.00	19.25	21.00	15.00	317	.53	.30	76.7	NE	.80	4.0	NEW	3 mos.	03-85	83.1	3.6	2.2	4.8	.37	5.7	83.1	3.6	2.2	4.8	.37	5.7
Potlatch Cp N	35.75	1.25	3.6	36.75	33.88	38.13	25.75	1,483	.96	.55	74.5	12.8	1.56	4.4	.....	fiscal	12-84	236.1	1.2	10.0	- 1.0	.58	16.0	993.9	9.6	49.6	22.5	2.80	37.9
Sherwin-Wms N	38.63	3.38	9.6	38.88	35.13	38.88	24.00	3,618	1.61	.78	106.4	13.5	.92	2.4	NEW	3 mos.	03-85	492.1	6.1	5.7	14.0	.25	13.6	492.1	6.1	5.7	14.0	.25	13.6
Stanley Works N	29.75	2.13	7.7	29.88	27.63	30.38	19.50	2,708	1.01	.93	8.6	11.3	.96	3.2	NEW	3 mos.	03-85	276.9	4.3	14.0	1.4	.52	6.1	276.9	4.3	14.0	1.4	.52	6.1
Thos Inds N	16.00	.25	1.6	16.38	15.25	18.88	12.38	241	.28	.17	64.7	9.1	.68b	4.3	.....	3 mos.	03-85	73.9	17.5	3.2	- 22.0	.37	- 22.9	73.9	17.5	3.2	- 22.0	.37	- 22.9
Triangle Pac N	26.63	- .13	- .5	27.38	26.38	31.25	20.75	2,119	5.21	2.24	132.6	8.0	1.00	3.8	.....	3 mos.	03-85	62.1	.6	2.6	4.0	.62	3.3	62.1	.6	2.6	4.0	.62	3.3
USG Corp N	35.50	1.38	4.0	36.00	34.00	36.00	22.50	7,517	2.28	1.28	78.1	6.2	1.68	4.7	.....	3 mos.	03-85	588.3	22.4	42.5	7.6	1.28	7.6	588.3	22.4	42.5	7.6	1.28	7.6
Walter, Jim N	35.00	3.38	10.7	35.50	31.75	37.00	22.00	7,594	3.49	1.27	174.8	7.2	1.40	4.0	.....	6 mos.	02-85	526.3	- 6.8	15.0	30.4	.69	32.7	1084.6	- 3.9	42.1	24.2	1.93	24.5
Waxman Ind M	13.38	3.25	32.1	13.38	10.00	13.38	3.50	2,983	9.87	3.75	163.2	16.9	.08	.6	NEW	9 mos.	03-85	20.5	97.1	.5	66.7	.19	58.3	61.4	105.4	1.7	142.9	.66	144.4
Weyerhaeuser N	29.50	1.63	5.8	30.00	26.38	34.00	25.50	20,755	1.60	.85	88.2	19.3	1.30	4.4	.....	3 mos.	03-85	1275.7	- .1	38.2	4.4	.24	4.3	1275.7	- .1	38.2	4.4	.24	4.3

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure

a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

W.R. Grace to stress productivity, not expansion to stem profit slide

Opening expenses for two HomeQuarters Warehouse units in Tidewater, Va., contributed to sharp earnings decline for W. R. Grace's home center division.
NHCN photo

HQ EXTERIOR DOORS
28

NEW YORK — With its earnings on a continuing downswing and its ability to raise additional expansion capital hampered by a poor stock market environment, the home center sector of W. R. Grace will be taking a less aggressive posture in the foreseeable future, according to remarks made at the corporation's annual meeting May 10.

The division's sharp earnings decline in 1984 continued through the first quarter of this year, with the company blaming the expenses involved in opening two HomeQuarters Warehouse units in the Tidewater area of Virginia, and with renovating the greater number of Grace retail stores in general.

"Our goal in 1985 will be to make the existing store base more productive," said Edward Tutun, retail group executive at Grace. Tutun added that the company was still willing to add more units if opportunities arise.

As for HomeQuarters Warehouse, Tutun said that "the chances are likely that we will open a third store this year," although he would not specify the location. Tutun added that the company was studying and modifying the HQ formula to make sure it is perfected before further stores are opened.

Tutun reiterated the company's intention to go to market with a public offering of a minority stake in the home center division, but said market conditions were still not right for the move.

"The important thing [before a company offers stock] is that the company have ever-increasing earnings, and that you have a receptive market [in terms of price-earnings multiples]. As you know, the multiples have come off" in the past year in home center stocks.

The home center division's poor earnings picture in 1984 was attributed by Tutun to expenses incurred by the acquisition of Ole's late in the year, as well as to the renovation of existing stores.

The company has also blamed the heavier level of competition in its western and central regions for the 1984 earnings drop in the home center division.

"The home center industry was feeling the pinch [in 1984] across the country," added Tutun.

In other annual meeting news, shareholders voted down a shareholder proposal for cumulative voting. Intended to provide minority representation on the board, the rule would have allowed each shareholder to cast votes equal to his number of shares for individual candidates on the board of directors, rather than for just the entire board. The measure was favored by only 3% of the shareholders at the meeting.

The board of directors had recommended against the proposal, stating that it would foster the objectives of special interest groups.

Lowe's sales up 22% in April

NORTH WILKESBORO, N.C. — Lowe's announced April sales of $212.5 million, 22% higher than sales for the same month in 1984. The report does not reflect sales from stores recently acquired from Boise Cascade.

The April figures reflected sales increases of 34% to retail customers, and 9% to professional customers.

Lowe's operates 272 stores in 21 states, primarily in the eastern Sunbelt.

Hechinger gives 1st Q dividends

LANDOVER, Md. — Hechinger Co., the $405 million chain of 47 home centers, announced quarterly dividends of 4¢ for its outstanding Class A common stock, and 2½¢ for its outstanding Class B common stock. Both dividends were made payable on May 24 to shareholders of record as of May 10.

Hechinger reported an earnings increase of 29% for the year ended Feb. 2.

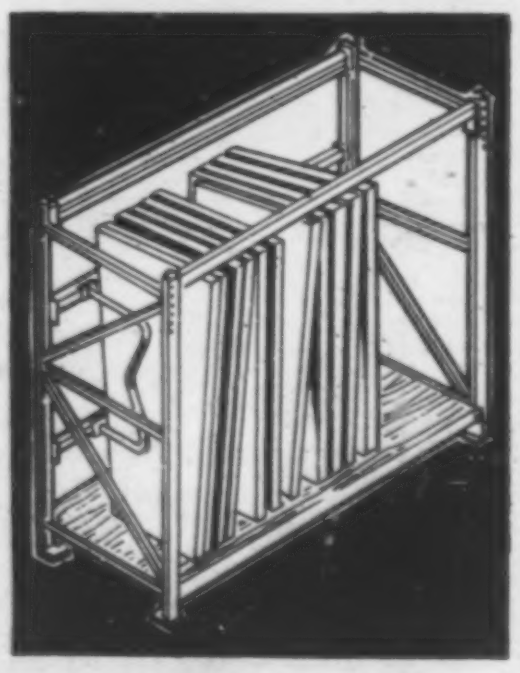
Corrections

In *National Home Center News'* Annual Report on the Home Center Industry (*NHCN*, May 6), J.T.'s Home & Buildings Centers should have read J.T.'s Home & Builders Centers. The company is based in Newport, R.I.

Also, inadvertently left out of the Top 100 list was Babcock Building Supply, Melbourne, Fla. The company achieved $28.4 million in total sales from six stores last year, a 37% increase over 1983. DIY sales accounted for 66% of the total. Babcock operates stores averaging 25,000 sq. ft. Three more units are planned for this year for a total of nine.

In the May 20 article, "Brass accessories gain ground in bath market," the name "Beck" referred to Alec Beck, president of Stripling Blake Lumber Co. in Austin, Tex.

More industry financial news every issue in *NHCN*



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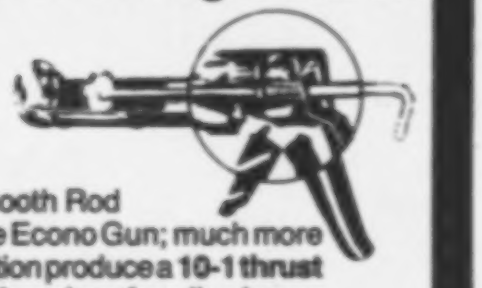

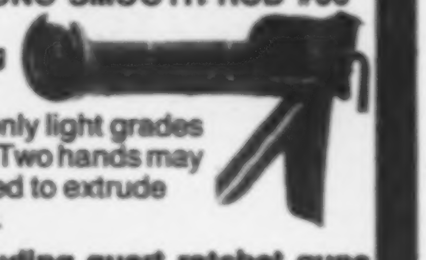

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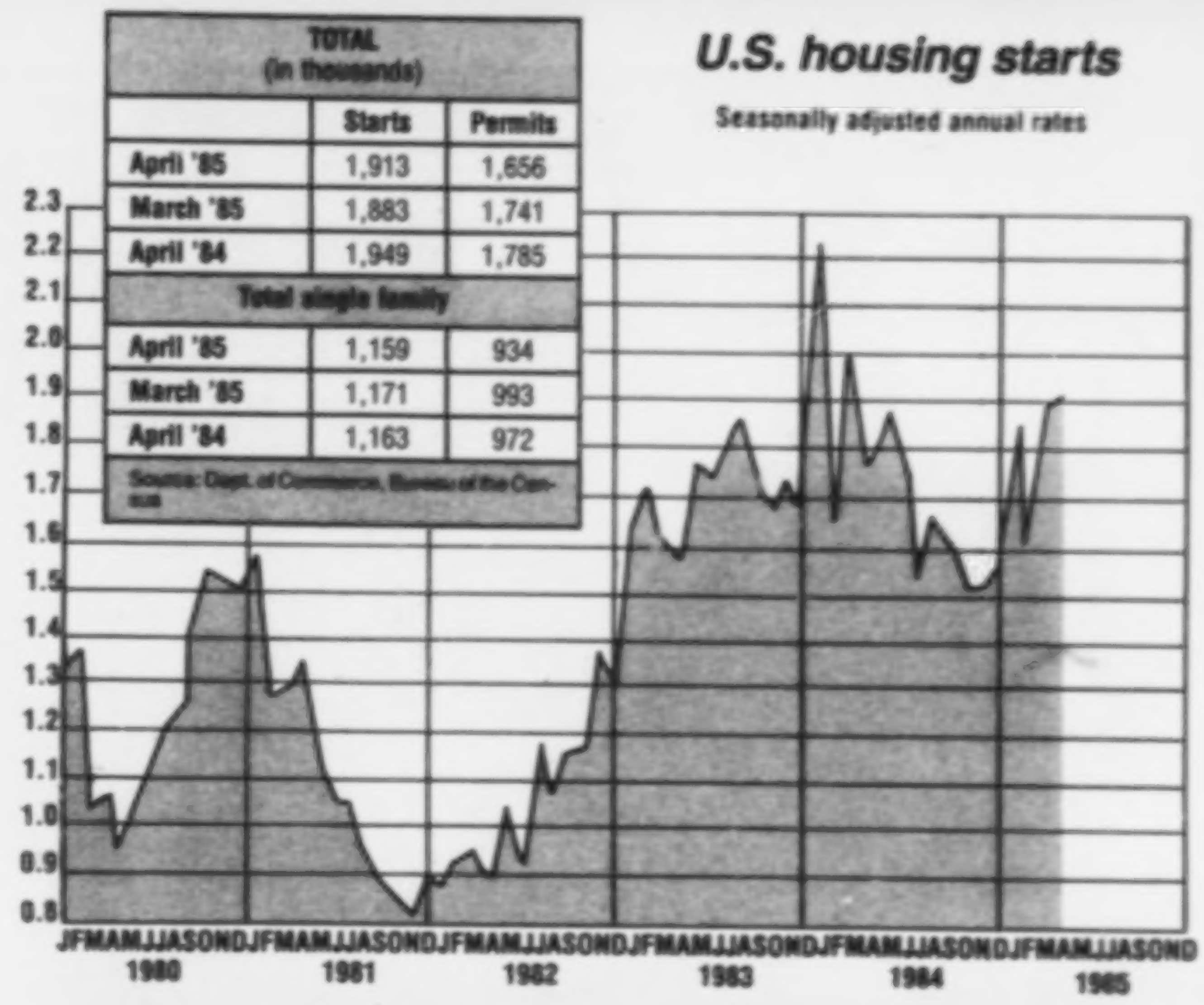


TOTAL (in thousands)	Starts	Permits
April '85	1,913	1,656
March '85	1,883	1,741
April '84	1,949	1,785
Total single family		
April '85	1,159	934
March '85	1,171	993
April '84	1,163	972

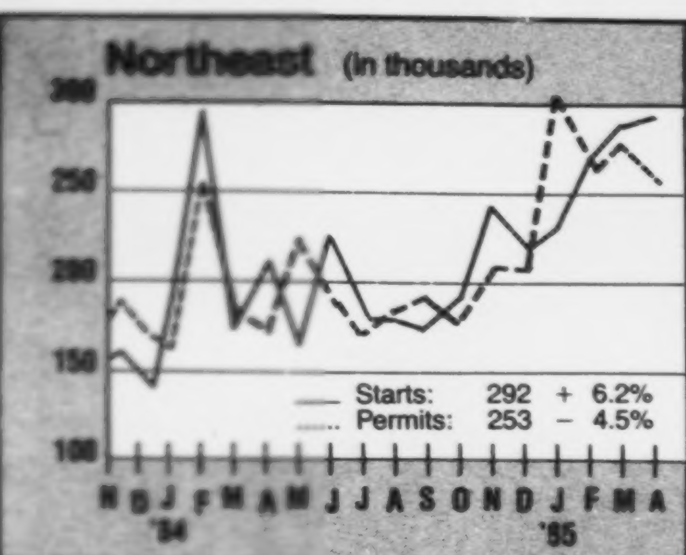
Source: Dept. of Commerce, Bureau of the Census

U.S. housing starts

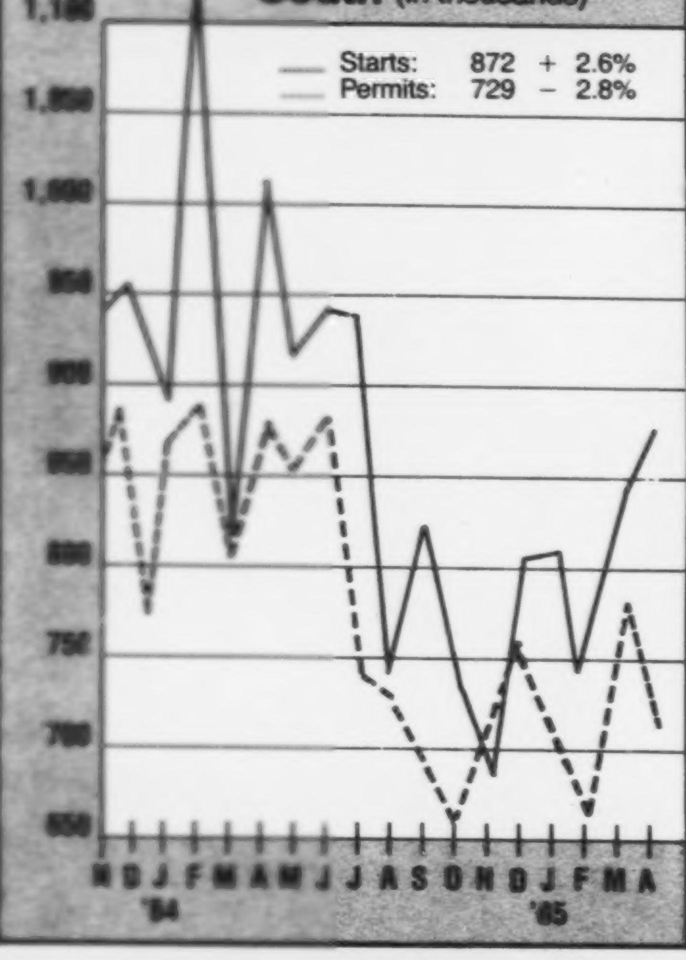
Seasonally adjusted annual rates

Housing starts edged up 1.6% in April to 1.9 million units, seasonally adjusted, according to the Department of Commerce. This follows a strong March when revised figures put new home construction at a seasonally adjusted 1.89 million units. The rise in starts is due to active multifamily construction, a trend that is expected to continue. Single-family homebuilding declined by 1% in April.

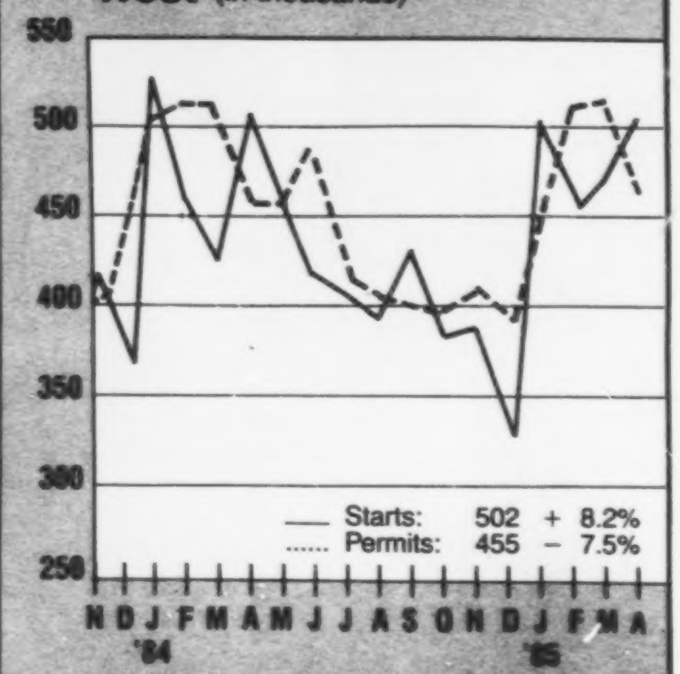
Northeast (in thousands)



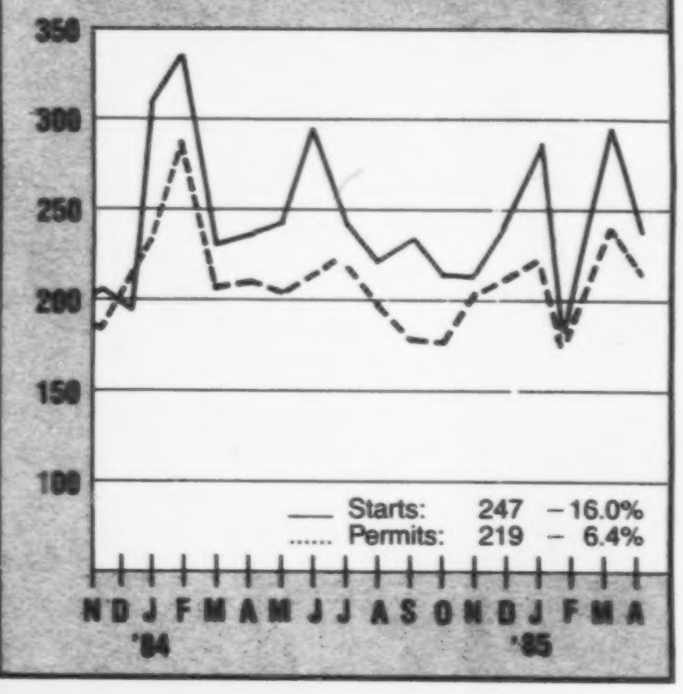
South (in thousands)



West (in thousands)



Midwest (in thousands)



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April starts edge up by 1.6%

NATIONAL REPORT — New home construction edged up 1.6% in April to a seasonally adjusted 1.91 million units, the U.S. Commerce Department reported.

The small gain elicited positive remarks from the National Assn. of Home Builders. "They are good numbers, very strong," asserted Gopal Ahluwalia, assistant staff vp/director of research.

He added that multifamily construction, the strongest component of the latest reportings, especially for apartments, should continue to be strong for the next six months. This, he said, is due mostly to the availability of Government revenue bonds and builder desire to "beat the tax system," due for Federal revision.

Single-family starts, however, declined by 1% in April to a seasonally adjusted 1.16 million.

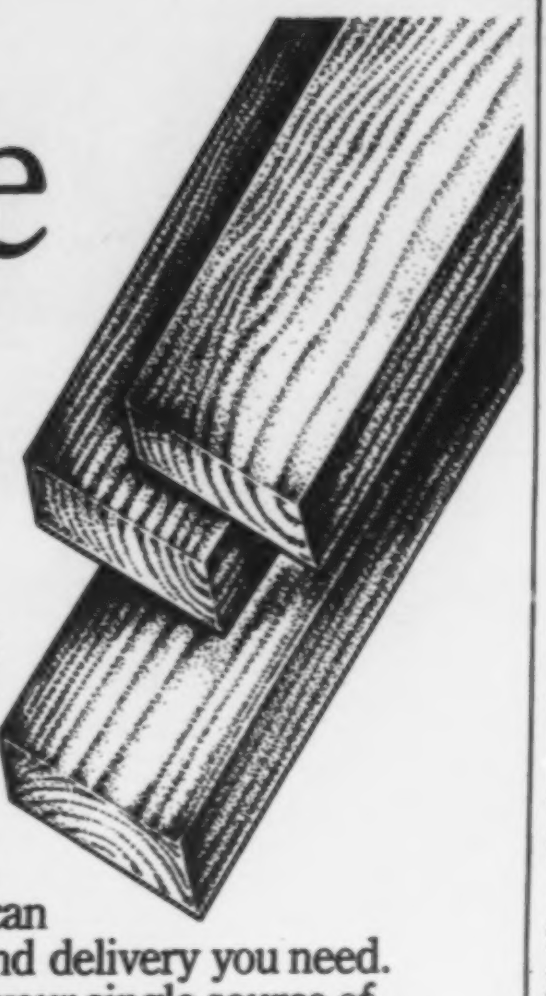
At the same time, total new housing permits declined 4.9% to a seasonally adjusted 1.65 million, and by 5.9% to 934,000 for single-family permits. Leading the decline here were the Western States, with a drop of 7.5%.

Compared with April 1984, new home permits in April 1985 declined to a seasonally adjusted 7.4% and single-family permitting dropped 3.9%. The oil-producing states of the South were largely responsible for giving that region 17.3% seasonally adjusted permit decline, Ahluwalia explained.

For all of 1985, Ahluwalia said the NAHB is predicting housing starts will hit the 1.65 million mark. Although slightly less than 1984's 1.74 million starts, it is still strong, he added.

New housing starts were particularly strong in the West and northeast in April where a seasonally adjusted increase of 8.2% and 6.2%, respectively, were recorded.

The Northeast's year-to-year April figure soared 44.6%, seasonally adjusted, mostly due to the housing boom in the Boston area, Ahluwalia noted. High-tech businesses are flourishing in that Northeastern city and housing of all kinds is being built to meet the high demand.



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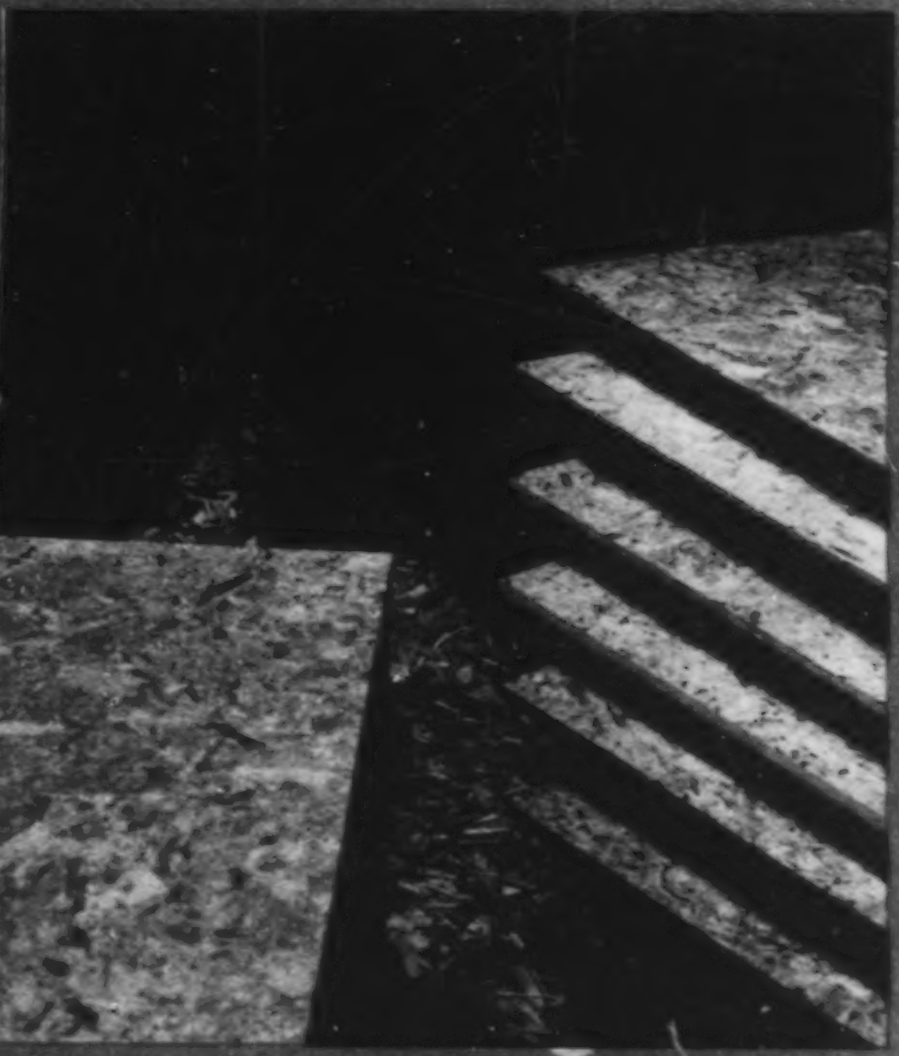

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LUMBER REPORT

Texas Lumbermen lament 1st qtr. but spring helps foster optimism

By John Caulfield
NHCN senior editor

FORT WORTH — They drawled about the winter weather ("wet"), the state's economy ("slow"), the housing market ("overbuilt") and sales in the first quarter ("meager").

But the 6,000 dealers, wholesalers and manufacturers attending last month's 99th annual Lumbermen's Assn. of Texas (LAT) convention here had their fingers crossed that their businesses would improve through the rest of 1985.

"Now that spring has finally arrived, we're doing fine," said Brian McCoy, vice president of the 58-unit McCoy's Building Centers in San Marcos, Tex. "But these last few months, man, have been tough."

Bill Butler, acting president of the Lumbermen's Association of Texas, cuts ribbon with members and their families at last month's convention in Fort Worth.

NHCN photo

"Until a few weeks ago [in late April] the weather wasn't the greatest, and Dallas and Houston are so overbuilt that you can't depend too heavily on contractor sales, but I still think 1985 will be a good year," added Ted Galbraith, merchandising vp for the 59-unit Foxworth-Galbraith in Dallas, which brought 160 people to the show to hold its annual company meeting. "Not the best, but good."

This cautious optimism formed the consensus among the dealers interviewed by *NHCN* at the show, which was like a Who's Who in the home center industry. Texas, with the possible exception of California, is the most active home center market in the country, and virtually every major chain and independent with stores here had representatives at the show.

These included Payless Cashways, Builders Square, Home Depot, Lowe's, Handy Dan, Higginbotham-Bartlett, Diamond Lumber, Allied Building Stores, Caruth Lumber, Stripling Blake, Calcasieu Lumber and Olshan Lumber.

In addition, an unusually large number of wholesalers were among the 350 exhibitors at the show, an indication, perhaps, of the strength of two-step distribution in Texas. Along with locally based wholesalers such as Cameron Wholesale (a division of CertainTeed), Dallas Wholesale Builders Supply and Slaughter Bros., other distributors with booth space included Belknap Inc., Hardware Wholesalers Inc. (HWI), Sequoia Supply, Handy Hardware Wholesale and Texas Wholesale.

"In some ways, this show is more important to our business than the [National] Home Center Show," said McCoy. Lynn Cornelius, a vice president at the 15-unit Builders Square, based in San Antonio, explained that this show is particularly attractive because "there are a lot of independent mills in Texas that aren't to be found in Chicago or Atlanta [the sites of the last two Home Center Shows]. Plus, there are regional vendors, like Kirby [Forest Industries] and L-P that we only get to see down here.

"This is a really good show for us," Cornelius continued. "But it isn't a buying show, and we rarely set up deals here."

Manufacturers assert that a decade ago, there was considerably more buying activity at LAT shows. However, the annual convention has since evolved into more of an information center. "Everyone is looking for ways to improve their business, and our dealers are here to see new products and programs," said Bill Butler, president of Portland Lumber in Portland, Tex., and acting president of the 937-member LAT.

A sampling of comments for dealers and suppliers on the

(Continued on page 18)

Carl Dill addresses how to stave off low price competitors

FORT WORTH — Carl Dill posed the question that was on the minds of many independent dealers who came to hear him speak at the Lumbermen's Assn. of Texas convention here in April:

"What do you do with the well-financed, well-managed competitor that is beating your brains out with a low price image?"

Then, for the next 90 minutes, Dill regaled the audience with some useful, and oftentimes humorous, tips on staving off a competitive threat, drawn mostly from his experience as vp-marketing for the 39-unit Lloyd Lumber in Connecticut. He currently is owner of Dill's Best Building Center in Peekskill, N.Y.

He basically told the independents that they had to do everything in their power to capitalize on the "weaknesses" of chain competitors, which sometimes may mean buying up their promotional merchandise during a promotion.

"I remember we purchased all the rock salt Diamond Lumber was selling below its cost, and then we ran an ad which said 'Diamond can cut prices but can they cut the muster. We're in stock and they aren't,'" said Dill to the delight of the audience.

Dill also gave the dealers some advice on keeping their competition off guard.

(Continued on page 18)

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LUMBER REPORT

Texas Lumbermen lament 1st qtr. but spring helps foster optimism

(Continued from page 16)

floor confirms this: Dennis Dumont, area manager for Champion International, said he was looking to "create dealer rapport, and to support the association" at the show; Alec Beck, president of Stripling Blake in Austin, noted that while the show was of modest importance to his business, "there's always the chance you'll meet new regional people, or find new products, which this show has always been good for."

The convention also serves as a forum for dealers and suppliers to discuss their businesses which, in Texas in 1984, could have been better.

By nearly every demographic measure, Texas still represents a market promising prosperity to retailers and suppliers. But only recently has the state shown signs of shaking off its three-year economic slump caused primarily by the decline of the energy industry on which the health of the state relies so heavily.

The state's unemployment rate actually fell in 1984 to 5.9% from 8% in 1983, but Texas is no longer the uninhibited growth market it was in the late 70's and early 80's. Its population has leveled off, expanding by only 1.3% to 15.99 million last year.

And this tapering off of immigration from other states has had severe effects on the state's housing market. Housing construction fell nearly 29% to 225,700 units in 1984, according to National Assn. of Home Builders data, with single family units dropping 25% to 118,500.

Houston has been the worst hit of the big-growth markets in Texas, as evinced by the drop in housing starts to 34,710 units last year, a 45% decline, as single-family home construction plunged 40% to 20,050 units.

These economic problems have been compounded by the continuing difficulty lumber dealers and suppliers have had making money selling wood products, due to the overcapacity plaguing the market. "When you have a 20 billion-sq.-ft. demand for plywood nationwide, and 26 billion ft. in supply, it isn't easy to turn a profit," said Ed Osterhout, assistant general manager for Kirby Forest Industries in Houston, which last year produced 116 million board feet of lumber, 600 million ft. of plywood and 70 million ft. of particleboard.

With housing in the state down, and lumber prices depressed, many of the association's dealers have sought to diversify their product mixes more toward DIY consumer fare, which has left the door open for several suppliers to penetrate this market with new merchandise and programs.

"Most of your lumberyards today are also heavy into hardware, which wasn't the case 10 years ago," said Charles Hearne, a vice president with Handy Hardware Wholesale, the Houston-based hardware wholesale buying co-op.

Hearne noted that another factor—the advent of warehouse home centers—also needs to be considered when one discusses why lumber dealers have sought to become more competitive with a wider range of products. "The lumbermen see the Home Depots and Builders Squares selling stuff at or below cost, and they realize that they need help from buying groups like us to stay afloat," he said.

Joe Walker, marketing vp for Cameron Wholesale in Dallas, which has been in Texas since 1912, agreed that the larger, higher-profile chains are making it more necessary for independents to align themselves with buying organizations. "You look at Payless Cashways [which runs 35 stores in Texas]," he explained. "Each of its units, essentially, is an independent lumberyard, and doing a damn good job in the market, something our customers have to contend with."

With competition so fierce in Texas, even a company as large as Cameron, with 16 distribution centers, 65 salesmen in the field and 2,000 dealers, uses a show like the LAT convention "to solidify our existing customer base, and try to sign on new dealers with different products and programs," said Walker.

"Our dealers," said Butler of Portland Lumber, "are realizing that they can no longer just be contractor-oriented and survive, so they are doing something about it." Galbraith of Foxworth-Galbraith lauded the LAT for attempting to get its members "to see into the future."

Carl Dill addresses how to stave off low price competitors

(Continued from page 16)

He recalled that several years ago, he burst into a Wickes Lumber, announced who he was and demanded to see the store manager. While touring the store, he started to criticize everything about it.

Once outside, he then confided that the store manager, in his opinion, was actually doing a good job. Dill handed him his card, and told the manager that, if he ever wanted to switch jobs, he should give Dill a call.

"That store manager is never going to undercut our prices, because he never knows if he will want to make that call some day," laughed Dill.

On a more serious note, Dill said that independents needed to emphasize their product selection, service and convenience to overcome the perception among consumers that home centers and warehouse stores were lower priced, "which you and I know is not true if you take all the items they sell," said Dill.

Specifically, Dill ran through a laundry list of suggestions on how dealers could thwart their competition's advantages, including:

- **Matching competitors' prices on price-sensitive items only;**
- **Raising a store's ad budget as high as 4% of sales, and reviewing an ad's message. "A good ad costs the same as a bad one," said Dill. He also recommended that dealers look into direct mail;**
- **Using television to sell the company's institutional image;**
- **Rewarding successful employees who increase sales for the store;**
- **Striking better deals with suppliers to offset price advantages of competitors during seasonal promotions.**

"We are working in an environment different from the one our fathers and grandfathers were in," said Dill. "And we need to heighten customers' perceptions about our stores to make it in that environment."

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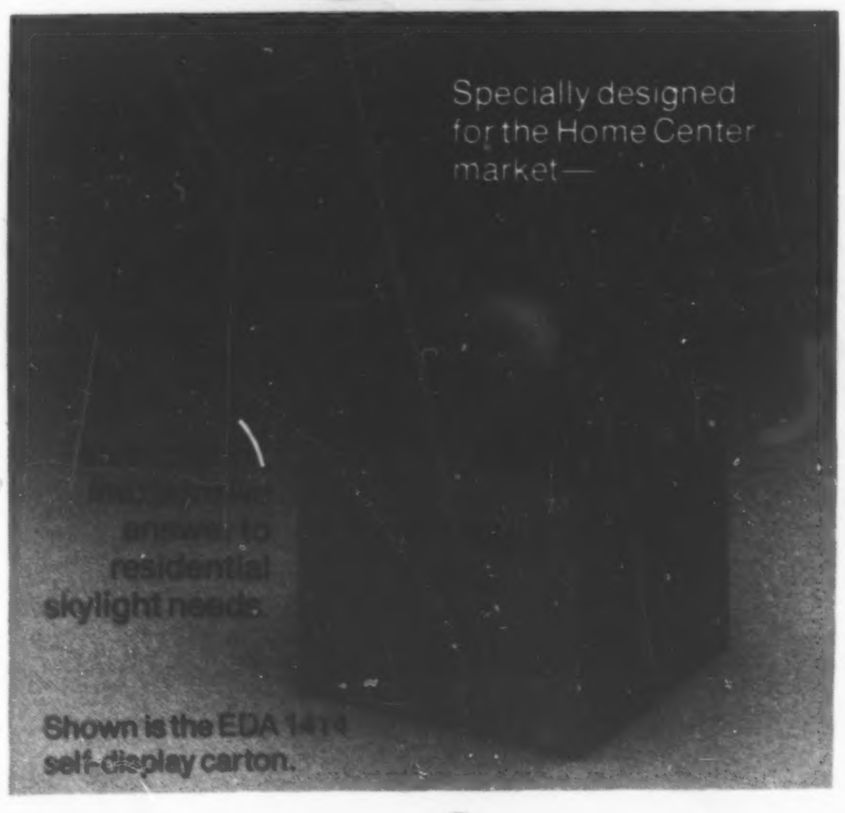
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Industry Compensation Study

Home centers pay premium for merch. staff

NATIONAL REPORT — When compared with lumberyards and hardware stores, home centers pay a premium for personnel assigned merchandising responsibility, a new survey shows.

Home centers pay their merchandising managers a median of $45,000, a figure that is some 44% higher than the $31,200 paid for that position by building supply retailers as a whole.

And, home centers pay their vp of merchandising or gmm's a median of $57,500, compared with an average of $50,000 at building materials retailers in general. For buyers with over three years' experience, home center salaries clock in at $27,700, a figure a little above that paid at other retailers in the building materials line.

The survey, conducted for *National Home Center News* by Lebhar Friedman Research, involved the mailing of questionnaires to 478 building supplies retailers. Completed responses were obtained from 160 retailers, representing a 33% response rate. The sample is large enough to provide representative insights into industrywide salary levels.

Participants were asked to identify salary levels for a dozen categories of personnel, by checking one of 11 boxes ranging from "under $1,000" to $50,000 or more." Between those two extremes, nine boxes were listed in salary increments of $5,000 each. Figures on the attached chart and in this article reflect median averages.

In other conclusions drawn from the survey, the median salary home centers pay their area/regional managers is $41,000, their vps of operations get $48,300 and their ceos or coos earn $57,500. On a mean average basis, those salaries came to $41,300, $49,500 and $79,000, respectively. These salaries are, on the average, about 7% higher than what is paid by building supplies retailers in general.

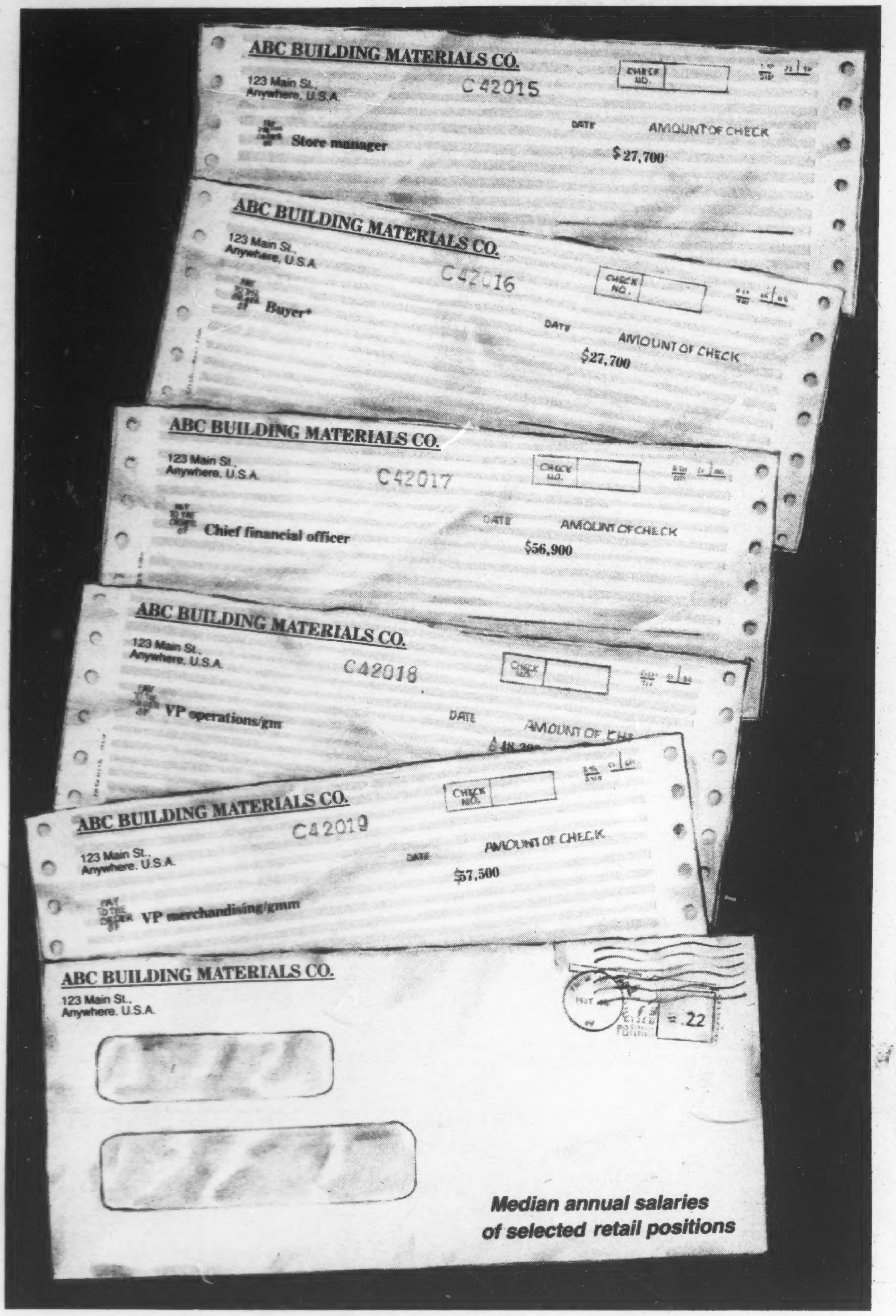
Store managers are paid a median average of $27,700 at home centers. This figure is about the same as that paid by lumberyards, but is 11% higher than the average paid by hardware stores.

Lumberyards pay department managers an average of $19,000, a figure that is 25% higher than the $15,200 reported by home centers with their higher number of departments.

In the area of bonuses, store managers are the clear winners, according to the survey. Some 63% of all respondents said they awarded bonuses to that category of personnel.

About 60% of home centers and 67% of lumberyards said they award bonuses to store managers. The median average of such bonuses at home centers was clocked at $4,500, a figure that is 32% higher than the $3,420 reported by lumberyards.

(Continued on page 25)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Median annual salaries of selected retail positions

*Buyer with three-plus years' experience

Source: Lebhar-Friedman Research; *NHCN* art

Major medical most popular health benefit

NATIONAL REPORT — Medical coverage is the most common home center benefit, but is offered somewhat less often by companies in the southern states, a recent survey shows.

About 9 out of 10 home centers offer major medical programs to their management and nonmanagement (store level) employees. In the South, however, major medical is offered to nonmanagement personnel by only 70% of the retailers.

Some 160 building supplies retailers provided details about their benefits in a survey conducted for *National Home Center News* by Lebhar-Friedman Research. Questionnaires returned by the participants showed that health coverage was practically the only category of benefit that was offered by over half of the nation's building supplies retailers. The only exception was company paid life insurance, which was offered to management level personnel by 63% of respondents, and to nonmanagement personnel by 56% of respondents.

While major medical was the most popular category out of seven areas of health coverage mentioned during the survey, hospital and surgical coverage were also popular. Hospital coverage was provided management level personnel by around 88% of the home centers, 91% of the lumber and building materials dealers, but by only 60% of the hardware stores. The survey results were closely similar when it came to surgical coverage, the third most popular health benefit for management level employees, although home centers offered the benefit 85% of the time.

As for store level employees, the survey showed that home centers offered hospital and surgical coverage 84% of the time. Lumberyards offered the coverage 88% of the time, while hardware stores offered it only 60% of the time.

Considering building materials retailers on a regional basis, only 83% of respondents in the west and south offered hospital coverage to management personnel. Only 73% of those in the south offered hospital coverage to nonmanagement, store level

(Continued on page 26)

Rapid expansion campaigns help boost payroll costs

NATIONAL REPORT — Engaged in accelerated expansion campaigns last year, larger building materials retailers experienced more rapid increases in their payroll costs than did smaller ones, according to a new *National Home Center News* survey.

Home centers participating in the survey said they increased their total payroll expenditures at a rate faster than that reported by lumberyards and hardware stores.

When taken as a group, some 53% of all building supplies retailers responding to the survey spent more money last year on payroll than they did the year before.

Despite the reported increases, payroll expenses represented about 14% of respondents' total revenues in both 1983 and 1984. Rising payroll costs, judging from the figures gathered in the survey, resulted primarily from the drive of larger chains to expand their operations, and secondarily from the need for smaller firms in more competitive markets to increase salaries and add workers to enlarged operations.

The survey, undertaken by Lebhar-Friedman research, tabulated responses from questionnaires mailed to 478 building supplies retailers. A total of 160 questionnaires were returned, representing a 33% response rate. This level of participation was high enough to provide a clear picture of salary and compensation levels in the home center industry.

Some 64% of the largest of the building materials retailers participating in the survey—those with annual volumes of $100 million and more—said they increased their payroll expenditures last year over the year before. This figure compares with 55% of retailers doing between $25 million and $100 million annually. As for the smaller retailers doing under $25 million in sales annually, 52% said they had increased their payroll costs.

Moreover, the larger retailers reporting higher payroll costs said that such expenses grew, on the average, at a rate considerably higher than that reported by retailers of smaller volumes. For retailers doing over $100 million annually, last year's average payroll expense increase was locked at 16%. For retailers in the $25 million to $100 million range, the comparable figure was 10%.

Taken as a separate group, some 49% of home centers said they increased their payrolls last year over the year before. For those reporting such increases, the average rate was 10%. This figure compared with an average 6% increase among lumberyards reporting payroll boosts, and 9% among hardware stores.

Some respondents to the survey—about 1 out of 5—said they actually reduced payroll expenses last year. But most of these moved less than $100 million out of their doors. Only 7% of companies with greater volumes said they cut payroll expenses last year.

Payroll costs increase faster at larger retailers

Company's Annual Volume (millions)	Reporting Increase (%)	Average Increase (%)	Reporting Decrease (%)	Average Decrease (%)
$1-$24	52	7	21	5
$25-$100	55	10	25	12
$101 & more	64	16	7	3

Source: Lebhar-Friedman Research; *NHCN* chart.

Payroll costs increased at a faster rate for larger building supplies retailers than for smaller ones, according to a recent survey.

Home centers pay well for merch. personnel

(Continued from page 21)

The store manager position was the only one awarded bonuses by a majority of respondents. The next most popular category, that of the ceo/coo/president, is awarded a bonus by 49% of home centers, and 44% of total respondents. Such bonuses averaged $15,000 at lumberyards, $16,000 at home centers, and $23,330 at lumberyards.

While respondents said they awarded bonuses to personnel in 10 other categories, fewer than 1 out of 5 said they gave bonuses to merchandise managers or trainee buyers.

The percentage-of-profits method seemed the most popular way of calculating bonuses among the respondents. Some 47% of respondents used the method for calculating managemen level bonuses, while 29% used it for store level bonuses.

A straight bonus based on salary was used by 23% for management level positions and by 19% for store level bonuses. About 13% said thev tied bonuses to gross profit margin maintained for management level personnel, but only 7% used this method for store level personnel.

Of six other bonus criteria listed in the survey, none was selected by more than 10% of the respondents.

The average hourly wage paid to full time cashiers was $4.74, according to survey results. Some 51% of respondents paid between $3 and $5.50 an hour for that position.

The average starting salary for store clerks was $4.34 hourly, while 38% of the respondents paid less than $4 hourly.

Store clerks with one year's experience were paid an average of $5.03 hourly, while less than 11% of respondents said they paid those people under $4 hourly. As for clerks with three years' experience with a company, they were paid an average of $5.89 hourly. Very few respondents paid them under $4 an hour.

On the average, part-time personnel were paid less than their full time counterparts. Cashiers in this category were paid an average of $3.80, while store clerks were paid $3.81 at the start, $4.31 after one year, and $4.84 after three years.

Only 16% of respondents said they had set minimum/maximum guidelines for the per cent of merit increases awarded employees. For those that did set such guidelines, the average maximum allowable was 10%.

Even less popular was the setting of minimum/maximum guidelines for slary increases for promotions. Only 7% of respondents had set such guidelines. This group said their average minimum was 4%, and their average maximum was 12%.

The survey also addressed the question of "no compete contracts" for key employees. Only 5% of respondents said they required their employees to sign such documents.

Salary and Bonus Levels

(Median)

Position	Salary		Bonus Awarded by Home Centers	
	Home Centers	All Building Materials Retailers	$	% of Home Centers Awarding
Department manager	15,200	16,400	1,430	24
Assistant store manager	21,100	21,800	1,450	41
Store manager	27,700	27,400	4,500	60
Area/regional manager	41,100	38,700	7,750	21
Buyer (trainee)	15,600	15,600	1,500	9
Buyer (3+ years experience)	27,700	27,000	3,330	29
Merchandise manager	45,000	31,200	7,000	18
Vp merchandising/gmm	57,500	50,000	11,000	27
Vp operations/gm	48,300	45,000	10,750	37
Director of advertising/marketing	38,100	39,000	7,000	21
Chief financial officer	56,900	55,800	10,500	25
Chief executive/operating officer/president	57,500	53,700	16,000	49

Source: Lebhar-Friedman Research; *NHCN* chart.

Home centers pay an average 44% more for merchandising managers than do building supplies retailers overall.

Salary survey draws replies from 160 firms

NATIONAL REPORT — The statistics presented in this section on wages and compensation were gathered earlier this year by Lebhar-Friedman Research in behalf of *National Home Center News.*

The survey gathered information about salaries, bonuses and benefits as they apply to home centers, lumberyards and hardware stores. It also examined company policies about criteria for bonuses, minimum and maximum guidelines for merit and promotion-related salary increases, and the use of "no compete" contracts.

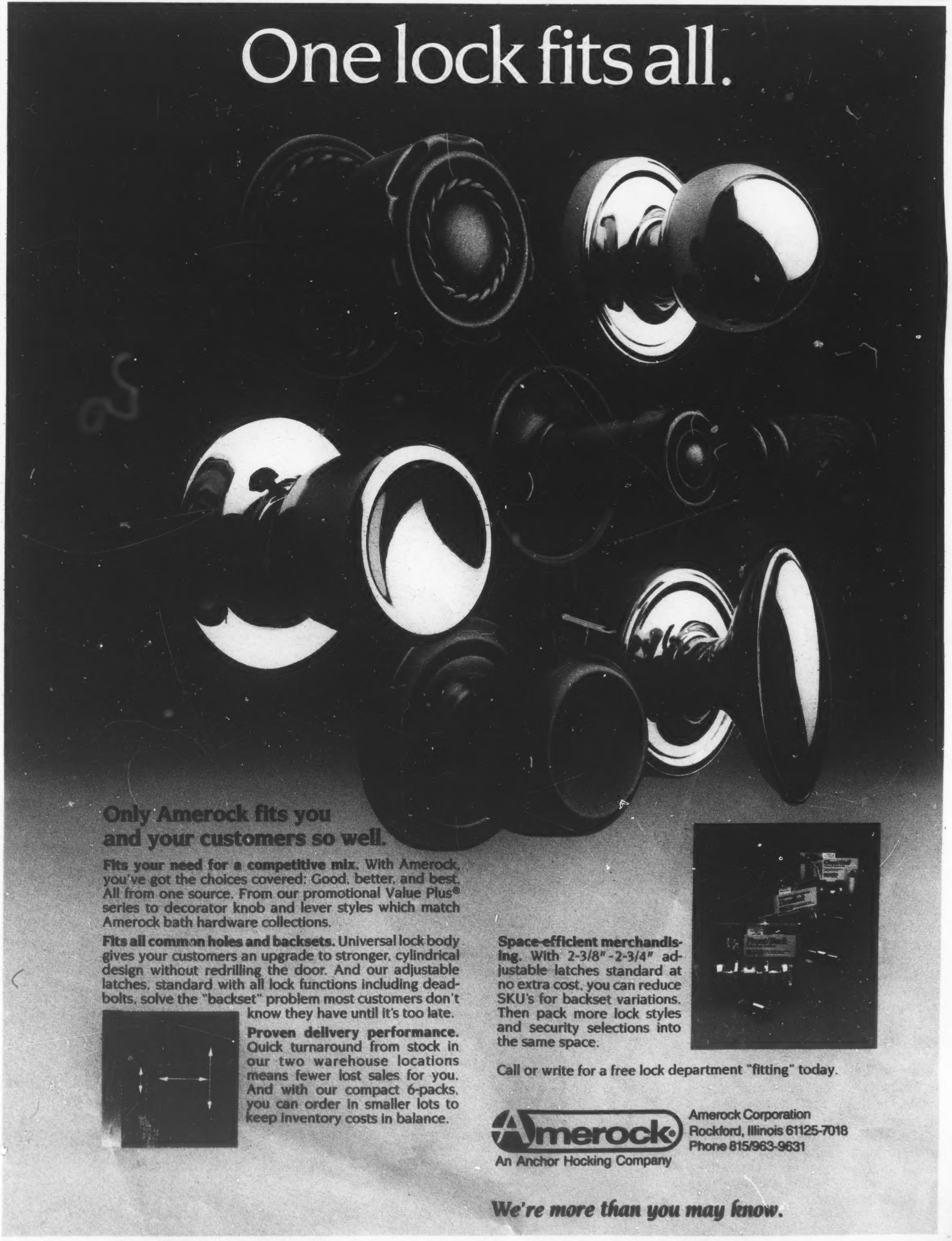
In March of this year, Lebhar-Friedman mailed questionnaires about these issues to 478 home center building materials retailers, in care of their cfo's, comptrollers or directors of personnel. A follow-up mailing was sent two weeks later, with the result that a total of 160 completed questionnaires were received. This represented a response rate of 33%. The margin of error for the resulting figures is estimated at + or −6%.

Of the 160 retailers participating in the survey, 68 were home center companies, 75 were lumber/building materials dealers with sales to contractors exceeding 50% of business and 10 were hardware dealers. Seven respondents did not answer the question.

Taken as a group, all respondents said that some 50% of their sales were to do-it-yourselfers. Separately, consumer proportions were 68% for home centers, 32% for lumberyards and 78% for hardware stores.

Respondents had an average of 212 full-time and 154 part-time employees.

Coming in the
July 15 issue of
National Home Center News:
The 7th Annual Study of
Consumer Attitudes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Major medical leads industry benefit offerings

(Continued from page 21)

personnel.

Other health benefits were not as commonly offered by retailers participating in the survey. Short term disability was provided by only 44% of all respondents to store level personnel, and by 46% to management personnel.

Prescription coverage/discounts were offered by 45% of respondents to management level personnel by 45% of respondents, and to nonmanagement personnel by 43%.

Long term disability seemed more popular as a benefit for management level personnel than it did for nonmanagement personnel. Some 38% of the former are offered the benefit, but only 26% offer it to the latter group.

The incidence of long term disability also varies by region. While 50% of the northeastern retailers offer it to management personnel, less than 1 out of 3 retailers in the south and west offer it.

Dental plans were the least popular health benefit, perhaps because of the difficulty in finding suitable plans. They are offered by only 37% of home centers, 28% of lumberyards and 10% of hardware stores participating in the survey.

Building supplies retailers in general offered contributory type life insurance about 25% of the time to both categories of employees. While 63% of respondents offered company paid plans to management employees, only 56% offered it to nonmanagement personnel.

Retailers doing between $25 million and $100 million annually seemed to be particularly fond of company paid life insurance plans. Some 90% of them offered the benefit to both categories of employees, a level considerably higher than that of both smaller and larger companies.

When asked about four financial service benefits, respondents indicated that some form of profit sharing was most popular. Some 43% offered it to management personnel, while 36% offered it to nonmanagement employees.

Profit sharing was especially popular in the south, where virtually half the respondents offered it to management personnel. In general, however, larger companies offered the benefit only 29% of the time to their managers.

Pension plans were offered by about one-third of respondents to the survey, and seemed especially popular at home centers, 37% of which offered them to both classes of employees.

Savings and investment plans were offered by about 1 out of 10 respondents to management personnel, and by 7% to their nonmanagement personnel. Larger retailers seemed to find this benefit especially attractive.

Stock option/ownership plans were offered by 11% of respondents to their management personnel, but by only 4% to their nonmanagement personnel. Home centers seemed to find this benefit more to their liking than did lumberyards. And over one-third of larger companies offered the benefit to their managers, while only 3% of companies doing under $25 million did likewise.

Percentage of Home Centers Offering Benefits

Benefit	Management Personnel (%)	Store Level Personnel (%)
Major medical	94	90
Surgical coverage	85	84
Hospital coverage	88	84
Short term disability	47	44
Prescription coverage/discounts	47	47
Long term disability	46	34
Life Insurance		
Company paid	60	53
Contributory	28	25
Financial Services		
Profit sharing	43	40
Pension plan	37	37
Savings plan/investments	13	6
Stock option/ownership	16	4

Source: Lebhar-Friedman Research; NHCN chart.

While major medical was the most frequently mentioned health benefit in a recent survey conducted for NHCN, *hospital and surgical coverage were also popular. Hospital coverage was provided management level personnel by 88% of the home centers responding and 84% for store level personnel. Surgical coverage was provided at about an equal rate of 85% and 84%, respectively.*

Part-time help major part of employee mix

NATIONAL REPORT — Home centers responding to a survey recently conducted by Lebhar-Friedman for *National Home Center News* have mean average of 381 full-time employees, compared with 155 for hardware stores and 76 for lumberyards.

These same home centers have an average of 335 part-time employees, compared with only 105 for hardware stores and 11 for lumberyards, the survey showed.

At the same time, some 25% of home centers said that they had at least some employees who were union members. This figure was above the average of 20% of the lumberyards and hardware stores who made the same statement.

However, those home centers reporting the presence of union members said that only a mean average of 15% of their employees belonged to such unions. For lumberyards reporting some union membership, the average participation was much higher—30%—and for hardware stores the figure was 20%.

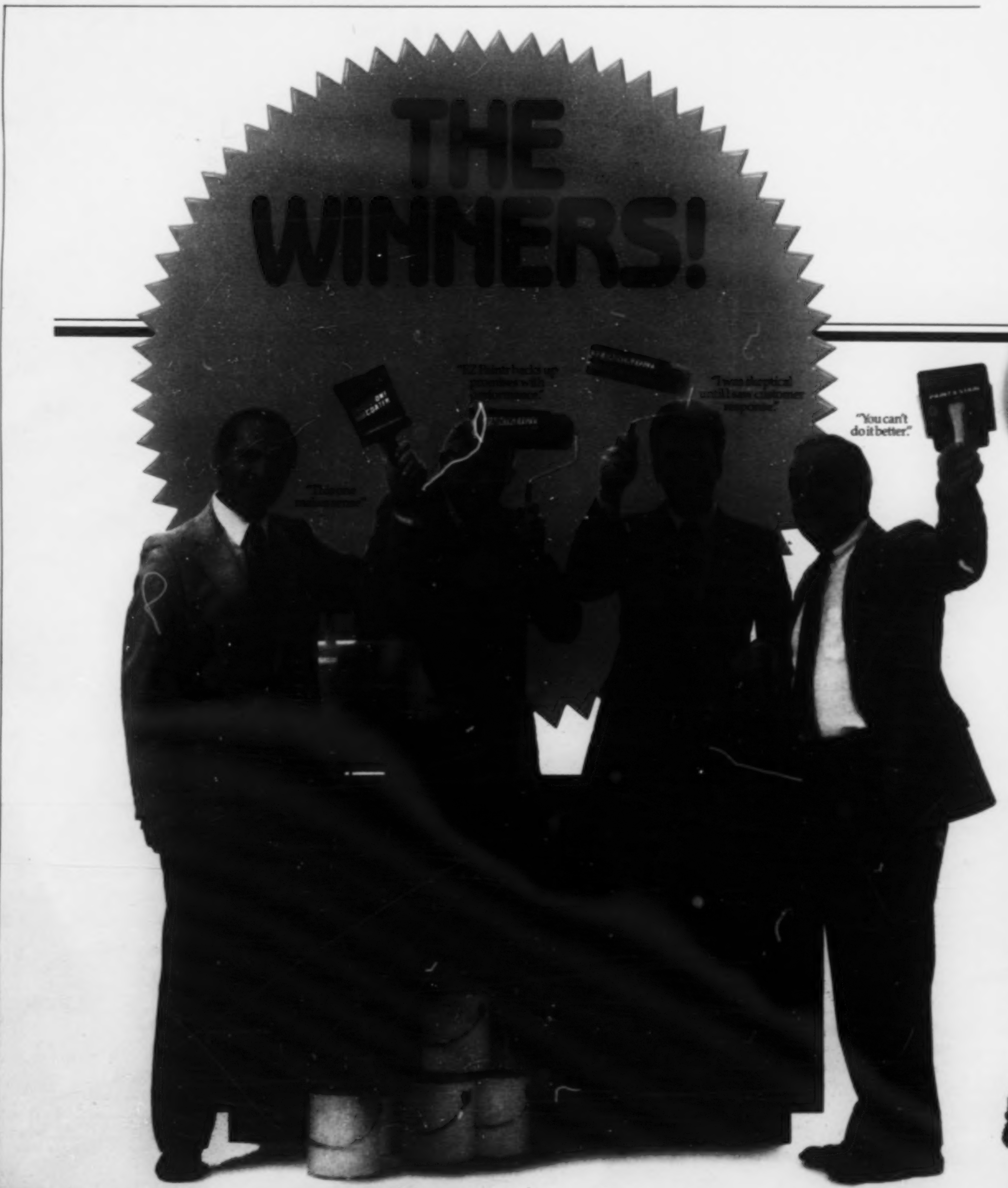
Some 61% of the respondents to the survey had fewer than 30 full-time employees, while 49% had fewer than 30 part timers.

Home centers exhibited somewhat more of a propensity toward part timers than did their lumberyard and hardware store competition. Only 32.4% of them reported fewer than 30 part timers.

As for the number of full-time employees in a typical store, respondents in general said the number was 19. When taken as a separate group, home centers reported a per-store average of 21. Lumberyards said their average was 17 and hardware stores reported 26.

The typical store of respondents had 10 part timers, a figure that compared with 30 at home centers when broken out separately, three at lumberyards, and nine at hardware stores.

The Midwest seemed much more prone to using part time help, since respondents there said they employed an average of 17 such workers.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East and West don't meet on salaries, bonus

NATIONAL REPORT — While store managers and ceo's of building materials retail operations in the northeast are apt to be paid more salary than their peers in other parts of the country, they are somewhat less likely to receive bonuses.

This is one of the key findings from a survey of building supplies retailers recently completed by Lebhar-Friedman Research for *National Home Center News*. The survey mailed questionnaires to 478 home center, lumberyard and hardware store operations. One hundred sixty recipients completed and returned usable questionnaires, representing a 33% response rate. The participation was great enough to provide a clear look at various trends under way in various parts of the country.

Participants in the survey were asked to indicate salary levels for 12 categories of personnel. For each category, the participant checked one of 17 boxes, ranging from "under $20,000" to "$300,000 or more." The 15 boxes in between were arranged in increments of $5,000 up to the level of $60,000, and in broader increments after that.

Store managers, it appears from the figures, receive a median average of $30,900 in the Northeast. This is 22% higher than the median average of personnel in the same position in the Midwest, where the pay clocks in at $25,300. The average salary in the South and West come in between those extremes.

For ceo's/coo's/presidents, the Northeast offers a similar attraction. The median average salary there for personnel in this position was clocked at $70,000, a full 50% higher than the salary for that position in the South. Again, salary levels in the other two regions of the country were between those extremes.

Perhaps partly in response to the need to attract the best talent in a hotly competitive area with new advertising ideas, building materials retailers in the western states offered by far the best pay to directors of advertising and marketing, according to the survey. The median average of $52,500 was a full 163% above the $20,000 paid in the South. The median average for the salary of a director of advertising in the Midwest was $36,200, and in the Northeast, $38,700.

The Midwestern respondents to the survey exhibited a propensity to offer higher salary to vice presidents of operations/general managers. The median average of $52,500 was 40% higher than the $37,500 offered in the South.

Vice presidents of merchandising are paid the highest salaries in the West. Their $65,000 compensation there represents a 41% increase over the $46,200 compensations of those in the same position in southern retail chains.

The Northeast offered the best pay to merchandise managers. The $40,000 pay scale there is 50% higher than the $26,700 paid by southern retailers.

Store Level Personnel

Store clerks, no matter what their level of experience, seem to fare better in the Northeast than elsewhere, according to results from the survey.

A store clerk's starting salary, for example, is apt to be $4.68 an hour in that part of the country, compared with $4.06 in the Midwest.

For a store clerk with one year's experience, the pay in the Northeast averages out to a median $5.41, higher than the other parts of the country, including the Midwest, which offers an average of $4.66 an hour.

And when a store clerk has three or more years of experience at the company under his belt, he is apt to be paid $6.56 at the northeastern retailer, while the Midwest, again with the lowest rate, might pay an average of $5.51.

Western respondents to the survey seemed to pay more for their part-time personnel, on the other hand, than did retailers in other parts of the country. A part-time cashier gets a median of $3.88 in the West, compared with $3.76 in the Northeast.

A part-time store clerk with a starting salary gets $4.07 in the West, compared with $3.59 in the Midwest. After he accumulates three years' experience, his salary is apt to be $5.16 in the West and $5.26 in the South.

Bonuses by Region

While northeastern store managers were apt to get higher salaries than their peers in other parts of the country, they did not receive bonuses nearly as often. Only 50% of respondents there said that they gave bonuses to managers, while over 73% of respondents in the South—the part of the country that awarded bonuses more often than any other—said they did so. About 62% of respondents in the West, and 67% of respondents in the Midwest, followed suit.

When taken together as a group, store managers across the nation received bonuses more often than did any other category of personnel. Some 63% of responding retailers said they awarded bonuses to store managers.

Incidence of Bonuses Awarded by Region
(%)

Position	West	Midwest	Northeast	South
Store manager	62.3	67.4	50.0	73.3
Ceo/coo/president	32.1	48.8	44.1	56.7
Assistant store manager	34.0	34.9	29.4	33.3
Vice president operations/gm	24.5	30.2	35.3	26.7
Buyer (3+ years experience)	13.2	25.6	38.2	30.0
Cfo	13.2	23.3	29.4	33.3
Department manager	20.8	16.3	26.5	30.0
Vp merchandising/gmm	13.2	25.6	20.6	13.3
Director of advertising/marketing	5.7	18.6	17.6	16.7
Area/regional supervisor	7.5	23.3	11.8	10.0
Merchandise manager	9.4	11.6	11.8	23.3

Source: Lebhar-Friedman Research; NHCN chart

A survey of home centers, lumberyards and hardware stores revealed great variation in the amount of bonus money personnel receive, depending on the area of the country.

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Company size plays key role in compensation

NATIONAL REPORT — Management level personnel, particularly those at the upper levels, appear to be compensated more by larger building supplies retailers than they are by smaller ones.

Store level employees, on the other hand, are compensated more evenly by building materials retailers of various sizes. Indeed, in some cases, lower level employees seem to be compensated better by smaller companies than by larger ones.

These are the results obtained by a new survey conducted by Lebhar-Friedman Research for *National Home Center News*. The survey tabulated responses from questionnaires mailed to 478 building supplies retailers. Of the forms mailed, 160 were completed and returned by retailers, representing a 33% response rate.

Of the 160 participants in the survey, some 76% said their annual volumes were under $25 million. About 13% said their volumes ran between $25 million and $100 million. And 6% said their sales totaled over $101 million. About 5% did not answer the question.

Of those respondents saying their annual volumes were less than $25 million, about a third were home center operations and half were lumberyards. Of those ranging from $25 million to $100 million, some 60% were home centers while about a third were lumberyards.

As for those respondents pushing volumes of over $101 million, nearly 3 out of 4 were home center operations, while 21% were lumberyards.

When all respondents were included in one group, about 41% said their do-it-yourself oriented sales accounted for over 50% of their annual volumes.

Generally speaking, the disparities in salary levels for comparable positions seem to be most pronounced at higher levels of the corporate chart.

Payroll expenses vary

For example, ceo's/coo's/presidents are paid a median average of $135,000 by respondents with volumes over $101 million annually. This figure is 50% higher than the salary paid for the same position by companies doing from $25 million to $100 million annually. And it's 210% higher than the same salary paid for the same position at retailers doing under $25 million.

As for cfo's, the salary figure is also disparate when compared with the figures at the midlevel firms. The $68,700 median salary at the largest firms is 31% higher than that paid by the midlevel outfits, while it is 42% higher than the $48,300 median average paid by the smaller retailers.

Directors of advertising and marketing are paid a median average of $53,700 by the larger retailers responding to the survey, a level of compensation that is 50% higher than that paid by midsized respondents and 169% higher than the comparable salary at smaller retailers.

Vice presidents of operations, too, show salary levels that, at upper end retailers, are 12% higher than midlevel retailers, and 123% higher than the smaller outfits.

The $76,700 median average paid to vps of merchandising by the largest retailers is 57% higher than salary for the comparable level at midsized companies, and 64% higher than that paid for the smaller firms.

Salary Levels by Chain Volume
($ thousands)

Position	Under $25 million	$25 million to $100 million	$101 million to and over
Ceo/coo/president	$43.6	$90.0	$135.0
Cfo	48.3	52.5	68.7
Director of advertising/marketing	20.0	35.8	53.7
Vice president of operations/gm	32.5	65.0	72.5
Vice president merchandising/gmm	46.7	48.7	76.7
Merchandise manager	23.5	34.2	46.2
Buyer (3+ years experience)	24.5	28.9	29.4
Buyer (trainee)	12.5	20.0	17.5
Area/regional manager	36.9	36.7	43.0
Store manager	25.7	30.0	31.9
Assistant store manager	22.0	21.4	22.0
Department manager	16.8	17.1	14.0

Source: Lebhar-Friedman Research; *NHCN* chart. All salaries are median averages.

Company size was a major factor for industry salaries in a recent survey conducted for NHCN. *Upper management level personnel appeared to be compensated more by larger building supply retailers.*

In a further reflection of how larger companies pay premiums for personnel who can handle management responsibilities in the all-important merchandising areas, pay for merchandise managers at larger firms is 35% higher than that paid by midsized companies.

The disparities start to lessen at the area/regional supervisor level, where the $43,000 median salary paid by the upper end companies is about 17% higher than that paid by the retailers selling under $100 million annually.

Salary levels paid by building supplies retailers of various sizes level off dramatically for personnel who are in nonmanagement, or store level, positions.

The $31,900 median average paid by retailers doing over $101 million annually to store managers, for example, is only 6% higher than the level paid by midsized retailers doing between $25 million and $100 million. However, it is 24% higher than the median of $25,700 paid by the smaller retailers.

And the $22,000 median average the larger retailers pay their assistant store managers is practically level with that paid by retailers doing under $100 million annually.

For department managers, it appears that the larger retailers, perhaps because they have divided their stores into more departments of responsibility, and have more stores so that department managers can be advanced to higher positions, actually pay less than smaller retailers.

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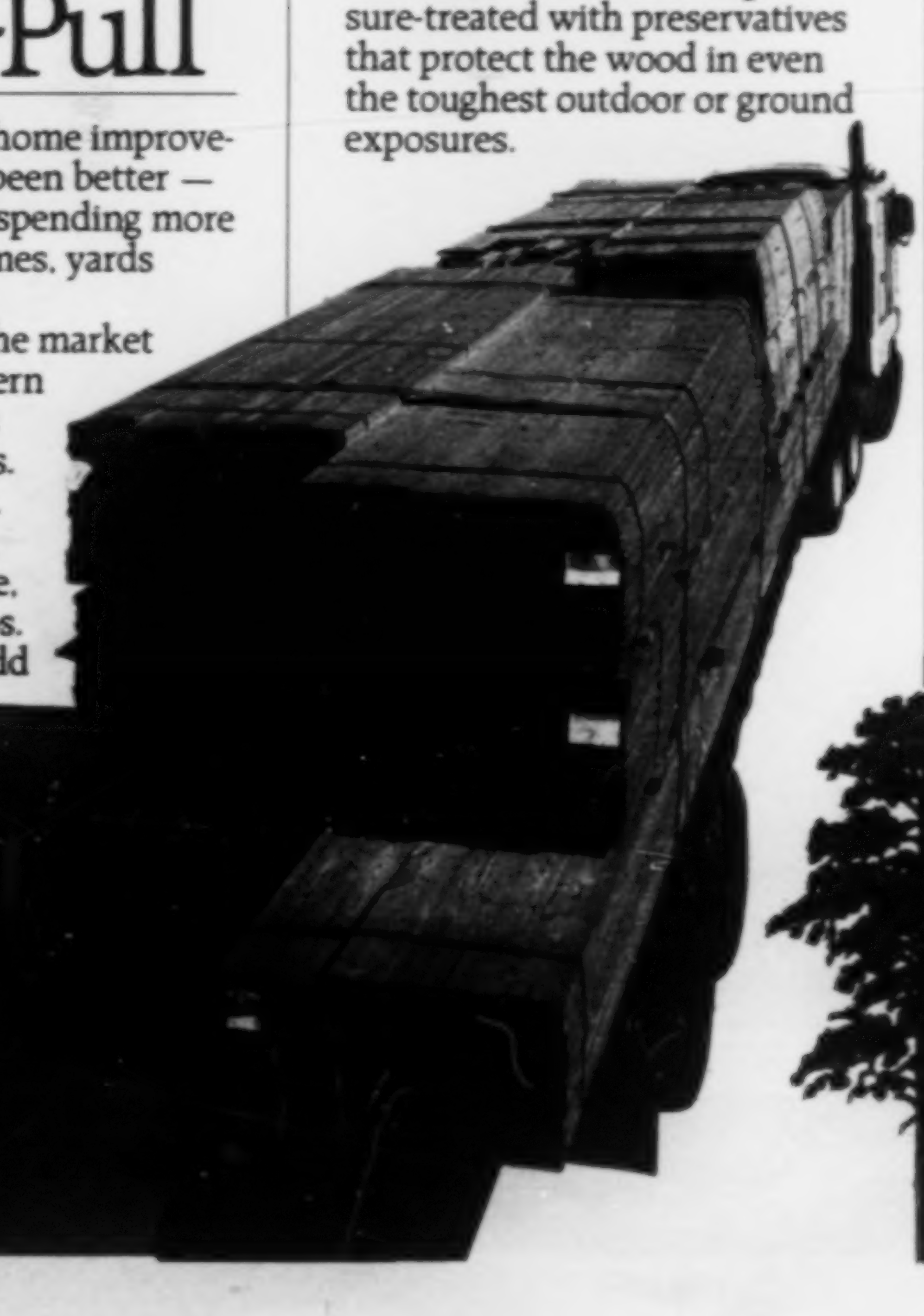

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Federal deficit could kill credit extension bills

(Continued from page 3)

Proposing a fade-out for home energy tax credits

Renewable Energy And Conservation Transition Act of 1985
(residential credits)

Technology	Current Law % credit (maximum expenditure) 1985	Proposed Extension % credit (maximum expenditure) 1986	1987	1988	1989	1990
Solar						
heating & cooling	40% ($10,000)	35% ($6,000)	30% ($6,000)	25% ($6,000)	20% ($6,000)	15% ($6,000)
photovoltaics	40% ($10,000)	40% ($10,000)	40% ($10,000)	40% ($10,000)	40% ($10,000)	40% ($10,000)
Wind	40% ($10,000)	35% ($20,000)	30% ($20,000)	25% ($20,000	0%	0%
Geothermal	40% ($10,000)	40% ($10,000)	30% ($10,000)	20% ($10,000)	0%	0%
Conservation*	15% ($2,000)	25% ($700)	25% ($700)	25% ($700)	0%	0%

*Proposed conservation credit could be claimed only by households with incomes of $30,000 or less. Current law has no income ceiling.

Source: Renewable Energy and Conservation Transition Act of 1985

Although several bills have been introduced to extend or gradually phase out energy tax credits, the increasing Federal deficit could eliminate any chance of passage.

In fact, support for the credits among retailers has waned and last year while in Washington for meetings with Congressional committees, 250 members of the National Lumber and Building Materials Dealers Assn. voted 71% to 29% against extending the credits. Harry Horrocks, governmental affairs director, said the dealers favored eliminating the credits as a way of helping to balance the budget.

And, last November when then-Treasury secretary Donald Regan, now White House Chief of Staff, unveiled his tax simplification plan, all energy tax credits including those for conventional energy sources—oil, coal, gas and nuclear power plan construction—were tagged for elimination. The President has said he supports the Treasury proposal.

According to David Nemtzow, policy analyst with Northeast-Midwest Institute, a nonprofit policy research organization, and one of the architects of the Heftel/Downey legislation, budgetary issues were considered when the bill was drafted. "We were very cost conscious," he said. "We made a lot of cuts."

For residential users, two kinds of credit are and would continue to be available under the pending legislation introduced by Heftel and Downey: one for conservation; the other for renewable energy products.

Only homeowners living in a house built before April 20, 1978, are eligible to participate in the program. They also must be owner-occupants.

The home conservation portion of the program would be extended only through 1988. It includes purchases for insulation, storm windows but not storm doors after this year, caulking, weatherstripping, automatic thermostats and some furnace improvements. The program would change from a 15% credit on the first $2,000 of purchases for a total credit of $300 to a 25% credit on $700 for a maximum credit of $175.

Families with annual incomes exceeding $30,000 would not be eligible for conservation credits under the new plan.

Nemtzow explained that the $700 purchase ceiling was created after research showed the average conservation purchase amounted to just $700. Similarly, the income cap was added when it was learned that 50% of the families seeking the credits had incomes above $30,000 and 50% had incomes below that amount. Commented Nemtzow: "The lower- and middle-income people need the credits more."

(Continued on page 36)

Tax credit end won't affect energy sales

(Continued from page 34)

them but not with the same zeal."

Although some retailers and energy product manufacturers, including Owens-Corning, say the Government would be better served by ending the credit program, even though they benefit from its existence, one retailer, Niehaus Lumber Co. of Vincennes, Ind., would like to see the program extended.

Bernie Niehaus, president of Niehaus Lumber, said when he introduced a new solar energy heating system to his builder customers in February, many said they were committed to trying it until they learned the energy tax credits were due to expire.

"We do need to give people incentives to buy or companies won't get new products into the marketplace," asserted Niehaus. "I remember 25 years ago when I couldn't get people to put in insulation because they said it was too much money, [made of] Fiberglas and a new product.

Niehaus, like Spahn & Rose of Dubuque, Iowa, are two of the few retailers who think solar products have sales potential in the retail environment.

Bob Haverland, architectural and solar designer for the 25-unit company, said he does a "fantastic" business selling solar collectors.

Available in two varieties, Spahn & Rose sells a completely assembled solar collector panel for the side of the house for $372 per panel that Haverland said is simple to install, and a DIY kit for $200 that takes about eight hours to assemble.

Many other retailers, however, report they have deliberately omitted solar energy products from their inventories because solar isn't typically a DIY project. Also, they note, solar needs to be sold by very knowledgeable sales personnel.

Frank Powers, executive vp at Builders Square, the 17-unit San Antonio-based retailer of warehouse stores, echoed the views of many retailers. "Solar may have some value in the future, but not now. The average DIYer wouldn't attempt to install it." Also, he added, full systems are very costly with very long payback periods.

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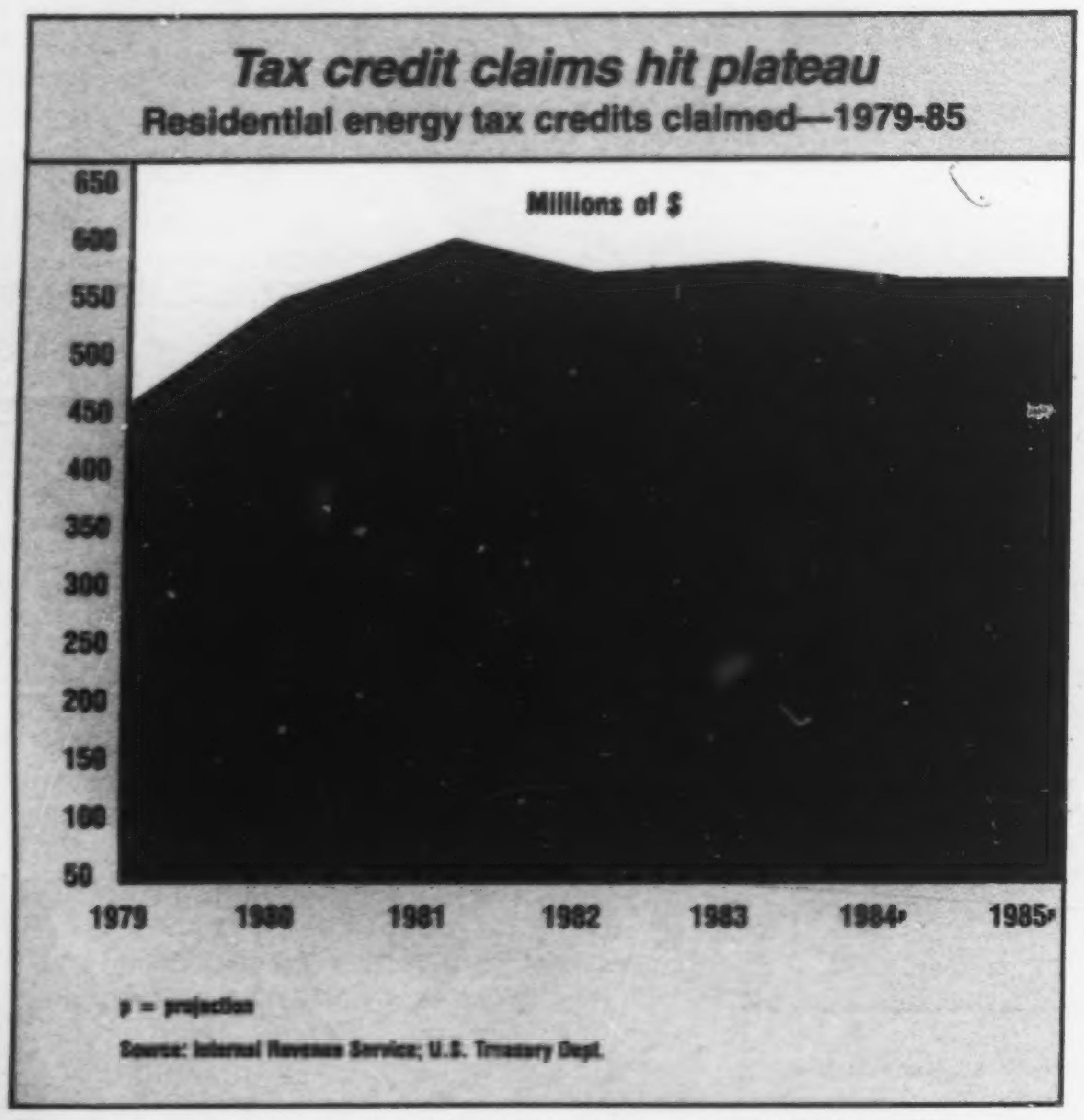
Deficit reduction could nix energy tax credits



Source: Internal Revenue Service; U.S. Treasury Dept.

Energy tax credits peaked in 1981 when nearly $601 million was claimed by homeowners, according to the Internal Revenue Service.

(Continued from page 35)

Storm doors were eliminated from the list of conservation items primarily as a way to "pinch pennies," Nemtzow said, and also because they "aren't the best energy investment you can make, based on research done." (Although many retailers agree, several storm door manufacturers dispute that claim.)

Credits for home renewable energy projects—solar, wind and geothermal—although extended were put on a phase-down plan in the new bill as a way of easing out the credits altogether.

"If the credits aren't phased out, we'll lose half our industry overnight," asserted Scott Sklar, director of governmental relations for the Solar Energy Industry Assn. based in Washington. "It would be a market shock."

Currently, homeowners can qualify for a 40% credit on the first $10,000 of purchases for a maximum credit of $4,000.

The pending legislation—in both bills—would extend solar heating and cooling credits through 1990 but at 35% of $6,000 in 1986 + 15% of $6,000 in 1990.

Solar photovoltaics, the youngest new energy industry, would remain credited at current levels.

Wind and geothermal energy credits would be extended only through 1988. Wind projects would receive a 35% credit on purchases up to $20,000 in 1986, down to 25% of $20,000 three years later.

Geothermal energy credits would stay at the 40% of $10,000 level in 1986 and drop to 20% of $10,000 in 1988.

Solar energy credits were dropped to $6,000 mostly to reflect the below $6,000 average cost of solar hot water heaters, Nemtzow noted.

Although there are no hard and fast estimates on how much the extension program would cost the Federal Government, some informed sources "guess" the five-year program could run to $2 billion, including business credits, $650 million to $700 million for the residential credits alone.

According to the U.S. Treasury Department, residential claims for energy tax credit in both 1984 and 1985 are projected at $572 million each, $20 million more than was actually claimed in 1983.

When the existing legislation was first enacted in 1979, $473.6 million in claims were made, according to the Internal Revenue Service. The peak year for energy tax credits was 1981 when nearly $601 million was claimed by homeowners.

Specialty energy retailer gears future for hardware

GRAND RAPIDS, Mich. — The energy specialty store seemed the perfect business prospect at a time when homeowners sought to combat escalating electricity bills of the early 1980's. A handful of entrepreneurs here approached this idea independently, only to find that a couple of years later, the demand for such energy related products came close to nil.

Most of these energy stores have gone out of business. A survivor, Energy Depot, which opened in November 1981, has been called Energy Depot *and Hardware* since April 1984 (emphasis added).

"Three and a half years ago I started a retail energy store," said Energy Depot owner John Blackler. "Eighty per cent of my business now is hardware." Blackler has been phasing out his line of energy-related products since sales dropped approximately 25% in February 1984.

According to Blackler, a major reason for the drop in sales was that the consumer simply got accustomed to paying higher bills. In addition, "The price of gas and electric has not been increasing as [fast as] it was a few years back," Blackler said.

The conversion of Energy Depot into a hardware store was actually a mixed blessing. Despite the setback it initially experienced the winter of 1984 when sales dropped, the store's annual volume has since doubled. In addition, advertising costs have been cut by 75%.

For the first two to three years, Energy Depot advertised in the local newspaper on a weekly basis. Now, the store uses eight-page flyers only four times a year.

"I don't need to advertise as heavily as I did with the energy products," Blackler said. "With energy, I had to advertise each individual product and do a lot of explaining as to what the product did and what its advantages were." Blackler explained that it is easier to sell and advertise hardware because consumers are more familiar with products and their uses. "Everybody knows what a nail is," adds Blackler.

The most effective advertising strategy Blackler utilized, however, was to change the name of the store and the sign on the door. "People driving by just stopped in."

Inside the plumbing, heating and cooling department—June 17, only in *National Home Center News*

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Communication systems see rapid changes

NATIONAL REPORT — Significant changes in communications systems have either been recently instituted, or are planned for the near future, by some 92% of companies participating in a recent survey conducted by The Conference Board, a New York research firm. Changes most often affect the hardware used for communications, the financing involved and the carrier selected for long distance services.

Two-thirds of the 348 companies surveyed have made changes in organization or staffing to handle their communications in the last two years.

Firms will spend more
Projected Change in Telecommunications Budget Costs

% Increase	% of Respondents
Under 5%	10%
5%-8%	21
9%-12%	24
13%-20%	15
More than 20%	7
No change	13
% Decrease	11

Source: The Conference Board; *NHCN* Chart

Seventy-seven per cent of firms responding to a recent Conference Board survey reported that they projected an increase in telecommunications budget costs. Thirteen per cent reported no change and 11% expected a decrease in budget costs.

Two major forces propelling these changes are widespread dissatisfaction with the quality of telephone service in the wake of the 1984 divestiture and the availability of superior new technology.

With these massive shifts about to get under way, telecommunications revenues are projected to climb from $14 billion in 1984 to as much as $59 billion annually by the early 1990's.

"Corporate telecommunications managers, whose companies spend tens of millions of dollars a year on equipment, service and overhead, express almost unanimous displeasure with the quality of the current telephone service," said Nathan Weber, author of a survey-based study called "Current Issues in Corporate Telecommunications."

"It seems clear that the widely heralded improvement in service that was supposed to spring from the new competition has yet to materialize," he said.

More than 80% of the communications managers surveyed said their telephone service had deteriorated since the AT&T divestiture. The major complaint involved the difficulty of locating personnel responsible for maintaining and providing essential information about phone service. "Managers report they often cannot find mid-level managers in their phone supplier's companies who will take responsibility for errors and work to correct them," the study found.

Nearly 70% of companies surveyed said that installation of new equipment is unacceptably slow and that billing errors are mounting.

Other common complaints: Too many confusing options from vendors, too little coordination among suppliers and lack of guidelines to help with making informed choices on systems and components. The list of complaints also include a lack of competence among sales and service personnel, a noticeably lower quality in the actual transmission of voice and data and a lack of personnel among the buyers surveyed with the adequate expertise to make effective choices.

As a result of these complaints, the study found that the two key qualities managers look for in selecting a carrier are reliability and service.

Cost considerations were cited as important by respondents in one area of change, the "bypass" option, which allows phone users to avoid connecting into local telephone exchanges. The study finds that more than 80% of those surveyed are already using or plan to use bypass facilities.

At least seven different bypass systems—ranging from microwave radio and digital electronics to various cable and fiber optic networks—are currently in use.

Firms overhauling their communication systems
Corporate Telecommunications Plans

Changes planned for:	% Planning changes
Internal Network (e.g., upgrading the PBX)	70%
Long distance services	62
Terminal equipment (e.g., purchasing leased phones)	58
Access to the local loop	32
Other	9
No major changes	8

*Sum is over 100% due to multiple responses
Source: The Conference Board; *NHCN* Chart

Modifications in internal networks was the most frequently mentioned change planned for communications systems in a recent Conference Board survey.

Home center shrinkage up 12.2% in '84

NATIONAL REPORT — Home center inventory shrinkage increased by 12.2% in 1984, according to a survey conducted in the Peter Berlin Report, published by Price Waterhouse. This compares favorably, though, to the average 14.9% increase in shrinkage seen from all eight types of retail stores surveyed.

Retail shrinkage on the rise

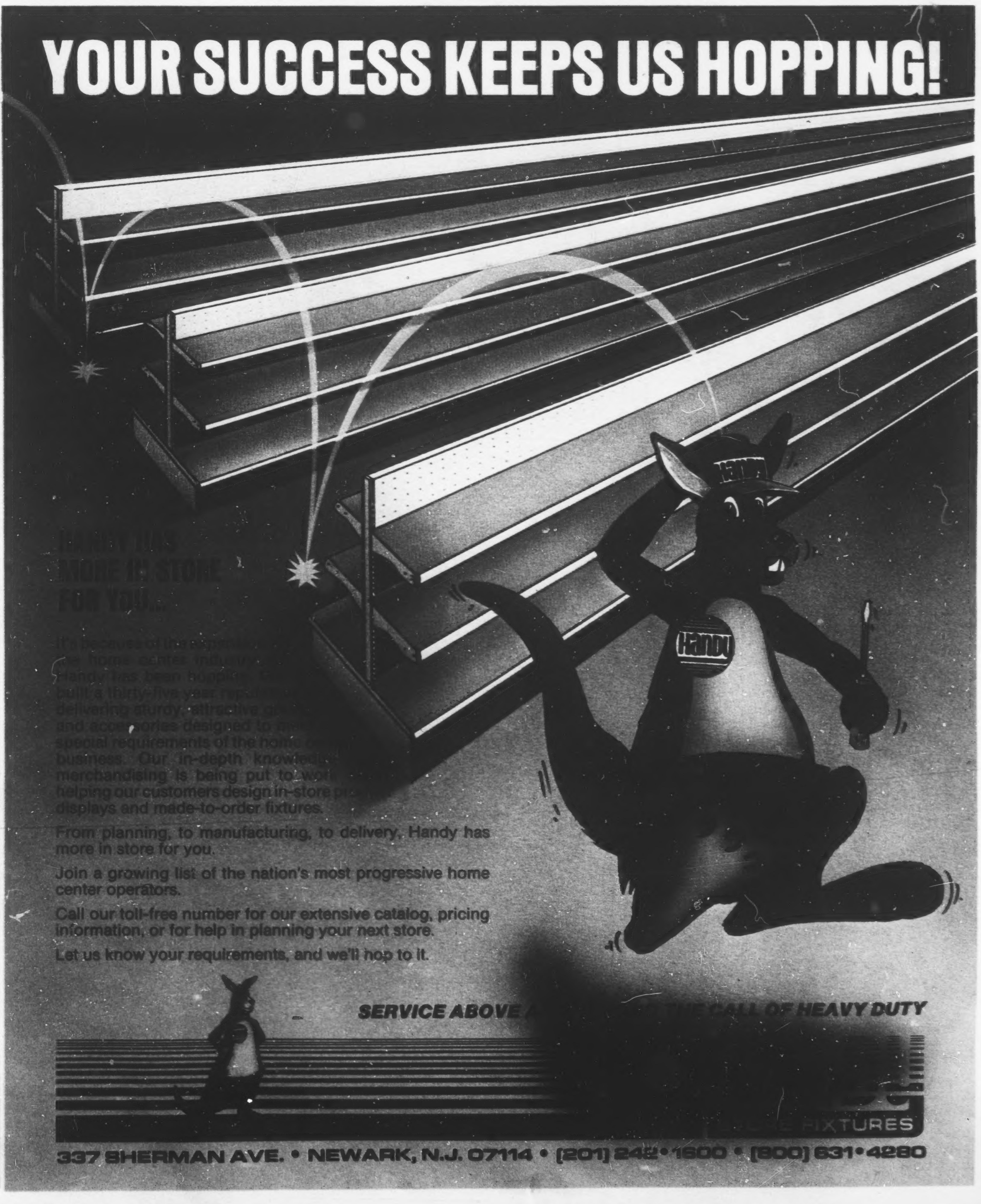
Sales increases	+10.60%
Shrinkage increase	+14.90%
Shrinkage as a % of sales (1983)	1.51%
Shrinkage as a % of sales (1984)	1.57%
Change in shrinkage as a % of sales	+ 4.00%

Source: Peter Berlin Report; *NHCN* chart

The survey tabulated reports from 80 retail firms, with 11,041 stores, subscribing to the Peter Berlin Report. Shrinkage for home centers, as a per cent of sales, increased 2.4%.

The average 14.9% increase offers a sharp contrast with the previous year's study which has shown a shrinkage decrease in fiscal 1983, for all categories, averaging, 12.9%.

Commenting on the overall survey results, Berlin said that fiscal 1984 ws marked by uncertainty. Sales were erratic and promotional activity was heavy as retailers struggled to keep inventory levels down, in the face of strong competition.



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